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Israel Puts Pullout From West Bank Into Doubt

Rabin Losing Support As Terror Attacks Fuel Anger Over Peace Pact

By Barton Gellman
Washington Post Service

JERUSALEM — Fourteen months after reaching a limited peace with the Palestine Liberation Organization, Israel's governing Labor Party leadership has concluded that the next steps toward peace, including the withdrawal of the army from the occupied West Bank, cannot proceed in the way that Israel agreed to in the accord signed on the White House lawn.

Last week, Israel handed over the last of five agreed self-rule powers to Palestinians in the occupied West Bank, permitting them to collect their own taxes and manage their own hospitals and medical clinics. But the real centerpiece of the agreement — pulling Israel's army out of Arab towns and villages — is now in doubt.

Prime Minister Yitzhak Rabin debated the most graceful way to extricate himself from that promise at a cabinet meeting on Sunday, six days before he flies to Oslo to receive the Nobel Peace Prize. Senior members of his government and the Labor Party made contradictory proposals last week, but all appear to agree that withdrawal of the army in the foreseeable future is impractical.

Israel's military intelligence chief, General Uri Saguy, told the cabinet on Sunday that rival armed factions were turning the Gaza Strip into another Lebanon, Agence France-Presse reported. The economic management of the authority was also deficient, according to General Saguy, who was addressing ministers as part of the debate on how to ensure security under the next stage of Palestinian autonomy. The discussions on the issue are expected to continue Wednesday.

What is driving the renewed debate is first and foremost a decline in public support for Mr. Rabin's Labor coalition. Some cabinet ministers say openly that public outrage at a two-month surge in terrorist attacks, which is expressing itself as disapproval of the peace pact with Yasser Arafat, the PLO chairman, could cost Labor the 1996 election.

The people aren't willing to participate in the risks that the government is willing to take to advance peace, said Nissim Zivli, the Labor Party secretary-general and a member of Parliament. Mr. Zivli said the government did not have an answer to terrorism and should halt the peace talks where they are for another "two years, meaning after the elections."

Mr. Rabin has not endorsed that view, but he is signaling strong reluctance to withdraw the armed forces, as the agreement mandates, from "populated areas" of the West Bank. That withdrawal was scheduled to take place before the Palestinians hold elections for their self-rule authority, elections that were supposed to have been held before now.

Nabil Abu Irdeh, an adviser to Mr. Arafat, noted that the PLO leader was facing internal challenges. "We need this election," he said, to beat back critics from the Islamic Resistance Movement who oppose Mr. Arafat's accord with Israel.

Israelis "are under pressure, and we are

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For Palestinians in Gaza, There's a New Foe: Arafat

By Youssef M. Ibrahim
New York Times Service

GAZA — Gaza's jails provide a barometer of just how far Yasser Arafat has fallen in his own homeland. Palestinians taunt their jailers, employees of Mr. Arafat's Palestinian Authority, by addressing them in Hebrew.

In interrogation sessions, jailed Islamic militants begin their answers to Palestinian investigators with "kazin," the Hebrew word for officer. Some answer only in Hebrew, which they learned from years spent in Israeli jails.

"It's hurting them," said a member of Hamas, the Islamic resistance movement, who was recently released from jail.

"We are breaking them down," he said. "Some avert their eyes, can't look at you straight. Others become aggressive. But their morale is sinking. By the time they let us go, they have little doubt Palestinians hold them in contempt as Israel's new henchmen in Gaza."

The Hamas message is painfully blunt, the tactic effective and the impact widespread. In Gaza and increasingly in the West Bank, Palestinians who once regarded Israel as the sole enemy have come to see the



Israeli policemen arresting a Druze cleric in Jerusalem during a protest Sunday by several thousand Druze. Nine policemen and several protesters were injured.

In Somalia, It's as if Intervention Didn't Happen

By Keith B. Richburg
Washington Post Service

MOGADISHU, Somalia — The ubiquitous "technical" are back — pickup trucks mounted with anti-aircraft guns once again roving the dusty, rubble-strewn streets.

Back, too, are the swaggering young men in T-shirts and sandals, with Kalashnikov rifles slung over their shoulders, extorting money from passing vehicles at makeshift roadblocks.

Traveling around the streets of Somalia's capital today is strikingly reminiscent of the days in 1992, when chaotic warfare among rival militias plunged Somalia into anarchy and a famine that prompted a U.S.-led military intervention.

Once again, to traverse Mogadishu,

travelers must hire a carload of armed thugs, hoping they will deliver protection for a hundred bucks a day, plus time off for lunch.

Gone are most of the foreign troops who manned sandbagged checkpoints — although the sandbags are still there. "I think the looters use them," one Somali said of the deserted bunkers.

U.S. Marines first landed on the beaches of this port city two years ago this week to launch Operation Restore Hope, a humanitarian mission aimed at ending the devastating famine and imposing some order on the chaos. Billions of dollars were spent and 36 Americans killed before U.S. combat forces were pulled out in March.

Today, there is no famine in Somalia — the country is enjoying record har-

vests — and no open warfare for the moment. But the capital is bracing for a new clan war that most Somalis and foreigners fear is inevitable.

And the United Nations — technically in command of the operation since May 1993, but really only in charge since the Americans left — has been reduced to irrelevancy. The UN mission is due to pull out early next year, and its leaders appear to be more concerned with planning that withdrawal than with what is happening outside the fortified UN compound.

Many Somalis say they see few tangible benefits from two years of foreign military intervention. "The United States has spent a lot of money, but we don't see where all that money has gone," said Ahmed Sheikh Ibrahim, 33.

"The Americans have shown a bit of kindness to us. But we never got any money from them."

Now, outside the gates of the sprawling UN compound, unemployed young men, disgruntled job-seekers and hangers-on watch angrily as millions of dollars of equipment — and with it, their hopes — is loaded in crates and loaded onto trucks to be shipped away.

"There's no one getting assistance from the UN," said Ahmed Mahamud Farah, "There's fighting in Somalia every day. There's refugees. If they're not helping these people, they should just get on their boats right now and go."

One African diplomat who has been trying to mediate between the factions

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Yeltsin Faces NATO at Budapest Summit

Compiled by Our Staff From Dispatches

BUDAPEST — President Boris N. Yeltsin of Russia made it clear Sunday that he would use a European security summit meeting to drive home Moscow's opposition to the expansion of NATO.

Mr. Yeltsin's remarks, on the eve of the 52-nation conference, underscored the difficulties that leaders will have in agreeing on ways to maintain and enhance European security in the post-Cold War era.

The Bosnian conflict, raging not far from Hungarian borders, remains a glaring reminder of instability in Europe.

Mr. Yeltsin and leaders from the United States, Canada, Europe and the former

Soviet Union began gathering here Sunday for a two-day meeting of the Conference on Security and Cooperation in Europe.

The meeting will try to agree on ways to prevent more Yugoslav-style conflicts, but Russia's concerns that NATO plans to take in East European states would leave it isolated, disagreements about peacekeeping in the former Soviet Union, and differences over Bosnia are now likely to dominate the meeting.

President Bill Clinton is to pay a brief visit Monday. Secretary of State Warren M. Christopher arrived Sunday.

"The president and others will be working to try to strengthen CSCE in order to

be able to deal with future crises like Bosnia in a more effective way," Mr. Christopher said before meeting Foreign Minister Laszlo Kovacs of Hungary. "That should be a measure of this meeting."

But Mr. Christopher said there would be no return to the confrontation of the Cold War period.

"We're working together on a number of problems," he said. "We will always have areas of disagreement, we will always have things to talk through and work through together as two major powers naturally do."

Russia wants a commanding role in Eu-

See CSCE, Page 4



CLEAR THE WAY — Alberto Tomba racing to victory Sunday in the World Cup slalom at Tignes, France. Page 19.

Russia Scans the Stars, and the Future Is Mostly Bad

By Fred Hiatt
Washington Post Service

MOSCOW — In Russia, astrologers do not sugarcoat the news. "Today is a largely dangerous day," one recent, typical horoscope warned from the pages of the newspaper Kommersant.

"You may end up broke," one warning goes. "This day is entirely unsuitable for undertakings of any sort."

The next day may not be any better: "Fraud, cheating and crooked deals are only a small fraction of the troubles that threaten to disrupt all your plans today," another Kommersant chart began.

Banned in Soviet days as beneath the dignity of scientific Marxism, astrology has caught on in a big way in the new Russia. Russians may hear their future on the radio, see it on television, call for a personalized account by telephone or read it in almost any newspaper or magazine.

Even in the official government newspaper Rossiiskie Vesti, there is a horoscope devoted entirely to health: "Your health reserves are low," it warned one day. "You may have problems with your spine." It added, "It would be best to refrain from sexual relations. Diseases beginning today may last a long time."

Even when the signs are auspicious, Russian astrologers can find a downside. "A growing energy field during this week will be a stimulus for action," the astrologer of Moskovskiy Komsomolets predicted recently. "But if you don't surrender to its influence, the result may be a serious disease or nervous breakdown."

It is no secret, of course, that Americans love happy endings — to the point of childishness, many Russians say — while Russians enjoy wallowing in the trough of despondency. No one curls up with a bowl of popcorn and "The Brothers Karamazov" to cheer up.

Neither is there any question that many Russians' lives are exceedingly troubled. If you fight for the communal toilet every morning, get splattered by street slush every day and scrimp on sugar for your tea each evening, you may justifiably feel skeptical of a rosy horoscope.

But the difference in astrological approach raises questions: Are the planets really so different over the Western Hemisphere? Are American astrologers lying to spare their readers pain? Or could it be that Russians are unhappy, at least in part,

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Republicans Call for Major Air Strikes Against Serbs

Dole and Gingrich Blast UN as Incompetent and Lament Role of NATO

By Paul F. Horvitz
International Herald Tribune

WASHINGTON — The two top Republican leaders in Congress ridiculed the UN peacekeeping effort in Bosnia on Sunday and called for a major bombing campaign against the Serbian military.

Secretary of State Warren M. Christopher, responding to the harshest domestic attack yet on the Clinton administration's Bosnia policy, immediately challenged the Republican strategy as a prescription for a major ground war that would require thousands of American troops.

He labeled it "a war strategy" doomed to failure and contrary to U.S. national interests.

Using their most explicit language to date and outlining virtually identical policies, Senator Bob Dole of Kansas and Representative Newt Gingrich of Georgia said in broadcast interviews that NATO and the United Nations had been embarrassingly ineffective in Bosnia.

"When you get to a serious problem with serious violence," Mr. Gingrich said, "the United Nations is literally incompetent, and it kills people by its behavior."

The two officials, who will take over as leaders of the Senate and House of Representatives in January, called for a sharply toughened U.S. policy against the Serbs combined with an effort to arm and train Bosnian Muslims.

Mr. Gingrich suggested sending General Colin L. Powell, the retired chairman of the Joint Chiefs of Staff, to Belgrade to issue an unmistakable threat of massive air strikes to "paralyze" Serbian society unless ground fighting ceased.

At the same time, the Georgia congressman singled out the United Nations as "a totally incompetent instrument wherever it matters." He said Washington should "radically overhaul" its view of the world body, which obtains substantial financing from the United States.

The Republicans' position signals a possible effort by Congress, when control shifts from Democrats to Republicans in early January, to put greater pressure on President Bill Clinton to lead an unequivocal campaign against the Serbs.

Mr. Dole, despite hearing contrary views last week in direct talks with NATO leaders, said UN forces should withdraw from Bosnia and the North Atlantic Treaty Organization should start "robust" bombing of any and all Serbian military targets, though probably not Belgrade itself.

"There's a big question about the conduct of NATO because of this disastrous, humiliating affair," the Kansas senator said.

Mr. Gingrich, in a blistering attack on the United Nations, said its behavior in Bosnia, "looking pathetic and helpless," had resulted in many deaths there.

General Powell, he said, should tell the Serbian leadership in Belgrade and inside Bosnia that if they pursue a general offensive, "We would reserve the right to take you apart and we would do it in three to five days and we would paralyze your capacity to function as a society. And

See BOSNIA, Page 4

Deutsche Bank Fights Back to Save Reputation

By Alan Friedman
International Herald Tribune

PARIS — When Hilmar Kopper presents Deutsche Bank's latest financial results Wednesday in Frankfurt, the bank's chairman may be forgiven if he sighs with deep relief that 1994 is finally drawing to a close.

Although still one of Europe's most powerful financial institutions, with a triple-A credit rating, Deutsche Bank has been beset by a series of financial and political mishaps in recent months, and its platinum-plated image has been dented heavily.

Both analysts and even some of the bank's own executives concede that 1994 has been one of the worst periods in the bank's 125-year history. It has been a year in which the giant German bank has been bumbled by mistakes and outside criticism as never before.

"People thought Deutsche Bank was invincible really, and it now seems not so invincible," said Robert Grant, an analyst at UBS Securities in London.

Even looking down the road, many analysts say, the bank appears to lack the kind of dynamic leadership and visionary strategy associated with Alfred Herrhausen, Mr. Kopper's predecessor, who was slain by terrorists five years ago.

In fairness, Deutsche Bank — which was once described as being "like God in Frankfurt" — suffers from being by far the most visible of all German banks. Thus both its successes and failures are magnified.

The bank's financial strength — as mea-

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Newsstand Prices	
Andorra.....9.00 FF	Luxembourg 40 L. Fr
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Armenia.....1.400 CFA	Qatar.....8.00 Riels
Cameroon.....9.00 FF	Réunion.....11.20 FF
Cyprus.....9.00 FF	Saudi Arabia.....9.00 R.
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Europe Again Divides French

Federal EU a Central Issue in Presidential Vote

By Alan Riding
New York Times Service

PARIS — France's presidential election campaign is barely under way, but this country's place in Europe is already emerging as a central issue, with the outcome of the vote certain to influence the pace of Europe's unity drive through the end of the century.

Under President François Mitterrand, France has been a key promoter of regional integration. Mr. Mitterrand himself helped design the Treaty on European Union, which was signed in the Dutch town of Maastricht three years ago and set the stage for turning the 12-nation bloc into a federation.

But when the treaty was only narrowly approved by French voters in a referendum in September 1992, it became apparent that many were worried that a strong Europe would undermine French identity and independence. Now everything suggests that they will have to choose between two sharply contrasting visions of Europe in the elections next spring.

If, as seems likely, the Socialist Party nominates Jacques Delors, it will pick a man who has long campaigned for a more centralized Europe from his post as head of the union's executive commission.

In contrast, the two main contenders for the conservative candidacy, Prime Minister Edouard Balladur and the Gaullist party leader, Jacques Chirac, oppose anything resembling a European federation.

The uncertainty about France's future European policy has already begun to cause unease in Germany. Paris and Bonn have worked together for decades on what is known here as "European construction."

Last week, Chancellor Helmut Kohl had first-hand experience of the French debate when he received French leaders in Bonn.

"There is and will be more and more of a federal and integrated Europe," Mr. Mitterrand said at a news conference attended by both the German chancellor and the French prime minister.

Mr. Balladur diplomatically responded that the debate on Europe should not be trapped in "outdated models." But in an article in *Le Monde*, he said bluntly that a European Union with a growing number of members "cannot be federal."

With Austria, Sweden and Finland joining in January and several East European countries seeking admission, he noted that a federal Europe could work only through majority voting.

"Therefore, the five big states representing four-fifths of the population and wealth could be put in a minority," he said. "And this they will not permit."

In truth, European leaders have never agreed on what they mean by "federal." Horrified British Conservatives view it as

tantamount to dismantling the monarchy, while many German politicians, who already live in a federal republic, are undisturbed by the idea of greater power-sharing within Europe.

Indeed, it was a position paper prepared recently by Mr. Kohl's Christian Democratic Party that set off the debate in France. It proposed that a hard core of European nations — specifically, Germany, France, Belgium, the Netherlands and Luxembourg — move ahead of the others toward federation, with the first step being adoption of a common currency.

Both Mr. Balladur and Mr. Chirac were quick to oppose this, aware that their Rally for the Republic party had been divided by the Maastricht treaty referendum and convinced that public support for a federal Europe has further eroded since then.

Rather, Mr. Balladur's vision is something resembling European union à la carte, with different countries working together on, say, monetary, social or security issues when their interests coincide.

Significantly, while stressing that the alliance with Germany would remain central to French policy, he also said that France should seek closer ties with Britain, Spain and Italy.

Unsurprisingly, the perception is that Mr. Kohl would prefer Mr. Delors to be Mr. Mitterrand's successor. Mr. Delors has said he will respond to the offer of the Socialist nomination before Christmas. Current polls indicate that he would defeat either Mr. Balladur or Mr. Chirac if the presidential elections were held now.

But when it comes to campaigning, Mr. Delors may have to temper his European message to fit France's more nationalist and introspective mood. Not only will he face attacks from the Gaullist candidates, but three minority parties — one on the left and two on the right — are openly anti-European.



Passengers leaving the U.S. ship Gettysburg in Djibouti, where some were taken.

Achille Lauro Survivors Arrive in Kenya

MOMBASA, Kenya — A group of 106 cheering survivors from the Achille Lauro disaster arrived here on Sunday at the end of an ordeal that began when the liner burst into flames off Africa last week.

The cargo ship MSC Lucy brought the crew members to Mombasa, shipping officials said. Four other ships carrying about 500 passengers and crew are expected in Mombasa on Sunday night, they added. Other survivors have arrived in the port of Djibouti.

Also on Sunday, it was announced that an elderly Dutchwoman who survived the Achille Lauro sinking had died after falling ill on a rescue vessel. A Dutchman is still missing, Italian Coast Guard officials said.

Almost 1,000 passengers and crew abandoned the Achille Lauro after the fire broke out last Wednesday. They were transferred to 10 rescue ships off the coast of Somalia. Two other elderly passengers died in the accident.

Q & A: Hungarian Renaissance

Mediocre Musical 'Fraternity' Gives Way to New Ideas

Ivan Fischer, director of the Budapest Festival Orchestra, has been in Paris as a guest conductor. He spoke with Megan Ditsy for the International Herald Tribune.

Q. What was it like to be an artist in Hungary before 1989?

A. It was all very fraternal. There was never any real competition. Artists engaged in a collective meditation about the arts. The state made sure that no one stood out. If one person won a prize one year, it would go to someone else the next. Artists didn't even think in terms of commercial success or international recognition. They were not even aware of it. I'm talking about the real artists.

Q. How are they faring now?

A. Today, music critics are no longer our friends. They might even criticize us. All of a sudden, audiences matter; books have to sell so many copies. There is a large pool of mediocre artists who are complaining today because they don't know what to do without their safe jobs. So far, the theaters and orchestras have not been totally abandoned. State subsidies are just now beginning to shrink. But in my opinion, very few of the "artists" can make it even if they haven't lost their jobs yet.

Q. Don't some artists welcome the change?

A. I am disappointed by the resistance to change in Eastern Europe. Nobody is admitting it, but the artists didn't really want the wall to fall. This is true even of my own musicians. They were happier under the former system. They complain and don't want to change.

Q. What effect did communism have on music?

A. The world of music was incredibly claustrophobic. There was no daring, no new ideas. It was all very gray and comfortable. At times it may even have been interesting, but it

didn't matter since it was art for its own sake. The good musicians either left, or stayed and got worse.

Q. How did the Budapest Festival Orchestra come about?

A. In 1983, I assembled 80 of Hungary's finest musicians to perform at a festival. We used Western-style methods to raise the money for the performance ourselves — ticket sales, sponsors. We were an immediate success. Afterwards we were invited to all the major music festivals in Paris, London and Salzburg. The orchestra quickly became a symbol of the dissident movement. It gave me courage to see that the public wanted change.

Q. Today the Budapest Festival Orchestra is a permanent fixture?

A. Yes. We have combined the best of the American system of sponsoring and the European tradition of subsidies. Our budget is \$2 million a year. The state contributes about half. The rest is private support coming from our Foundation Endowment Fund.

Q. What should be done to promote culture today?

A. We must be brutal in cutting subsidies. Money should only go to projects that work. I think the free market will be good for the arts. We have a chance to create something wonderful in Eastern Europe. That is why I am going back. Culture is our very best shot. We'll be much better off competing in the arts than in agriculture or high-tech. The transition from state subsidizing is boring and should be put quickly behind us.

Q. Is this opinion shared by many?

A. I don't sense much enthusiasm. I have a hunch that Eastern Europe will reject the free market and try some new form of socialism. If that happens, I won't have a place there.

Q. And if the transition to a free market does succeed?

A. Then Eastern Europe could become the world center of the arts.

3 Killed in Shooting at Swedish Club

The Associated Press
STOCKHOLM — Gunmen opened fire early Sunday on a

trendy nightclub, killing three people and wounding 18. The police believe the killers were seeking revenge after being turned away by the doorman.

The police said they had issued an arrest warrant for a man who had a history of violent crime. Two other men were also involved in the killings, according to the police.

Walter Kogge, the head of the violent crimes division, said investigators believed the shooting with an automatic rifle resulted from an altercation earlier in the night.

"Several people were turned away by the doorman earlier

and a scuffle broke out," Mr. Kogge said. "They came back later."

The shooting took place at 5:15 A.M. at the Sture Company discotheque in central Stockholm, a little more than an hour after the scuffle.

The gunmen, dressed in military camouflage jackets, shot through the doors and windows, touching off panic inside the building.

The police said two of the victims, one of whom was said to be one of the doormen, died at the scene. The third, a woman, died on the way to a hospital.

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WORLD BRIEFS

Chechen Opposition Is in Disarray

GROZNY, Russia (Reuters) — Chechnya's Russian-backed opposition appeared to send out conflicting signals over strategy on Sunday as pressure from Russia mounted to end fighting in the breakaway southern region. Moscow is moving troops to Chechnya's borders to back up threats that it will clamp down hard if the opposition and the region's separatist leader, President Dzhokhar Dudayev, do not lay down their arms.

The disarray in opposition ranks came when a key figure, Ruslan I. Khasbulatov, a former Russian Parliament chairman, abruptly left the region for Moscow. He said the buildup of Russian troops had made his work superfluous. "Russia is bringing in troops," he said before leaving his ethnic homeland. "As you know I was always against this development."

Shortly afterward, a Russian government center set up to deal with the Chechen crisis said the Chechen Provisional Council opposition movement of Umar Avturkhanov had told Moscow it was ready for peace talks. But Mr. Avturkhanov said at his base at Znamenskoye that his men would not lay down their arms. He said he had given President Dudayev an ultimatum: Give himself up or face the consequences.

Bonn Party Leader Threatens to Quit

BONN (Reuters) — A threat by the Free Democrat leader Klaus Kinkel to quit if his party's ministers are barred from holding parliamentary seats has rattled a party already in turmoil over its future, officials said Sunday.

As Mr. Kinkel issued his warning, Free Democratic Party members launched an attack and one called for the 57-year-old leader to be replaced. Party members have long been critical of Mr. Kinkel's ability to cope with his double function as party leader and foreign minister.

Mr. Kinkel's threat was the latest blow to the party, the junior partner in Chancellor Helmut Kohl's center-right coalition. It is struggling to carve out a new liberal profile since suffering a string of humiliating election defeats this year. Mr. Kinkel has taken most of the blame for the party's slide.

Kaifu May Seek to Lead New Party

TOKYO (Reuters) — Former Prime Minister Toshiki Kaifu hinted on Sunday that he would run for the top post of a new political party that aims to unseat Prime Minister Tomichi Murayama's coalition.

The New Frontier Party, a merger of nine opposition groups with 213 lower and upper house members of Parliament, is due to select its first leader on Thursday, two days before its official launch.

"When the time comes, I will consider the matters comprehensively," Mr. Kaifu said. "I will make my feelings known on the seventh," the Wednesday deadline to announce the candidacy. He is a former member of the Liberal Democratic Party.

Opposition Leads Italy Runoff Races

ROME (Reuters) — Centre-left opposition candidates were set to win mayoral runoff races in four of six Italian cities in local elections on Sunday seen as a test of political sentiment, according to a television exit poll.

In Brescia, the closest watched race, the former Christian Democrat leader Mino Martinazzoli was forecast to win 57.5 percent of the vote against 42.5 for Industry Minister Vito Gnutti of the Northern League, the poll said. The poll, by the Abacus group for RAI television, also forecast victory for opposition candidates in Sondrio, Massa and Brindisi. The first round of voting was held on Nov. 20.

The opposition Democratic Party of the Left and the centrist Popular Party, successor to the Christian Democrats, formed local alliances to challenge candidates from the coalition parties in Prime Minister Silvio Berlusconi's government.

Algerian Editor Dies of Wounds

TUNIS (Reuters) — The editor of *Le Matin*, an Algerian daily, died on Sunday, a day after he was attacked by suspected Muslim fundamentalist gunmen, and the government said it was giving high priority to preventing such attacks.

The official Algerian press agency APS said the editor, Said Mekbel, died in at 9 A.M., the third Algerian journalist killed by suspected Muslim guerrillas in a 72-hour period.

The international group Reporters Without Borders said Mr. Mekbel was the 27th journalist killed in the North African country since June 1993.

For the Record

Hungary's worst train accident in 26 years, which claimed the lives of 29 people and injured 52, was caused by human negligence, MTI news agency quoted the police as saying Sunday. An express train derailed on Friday night because of an incorrect setting of the points at Szajol station, 120 kilometers (75 miles) east of Budapest.

Gunmen shot and killed a Georgian opposition leader and badly wounded his wife, a former deputy prime minister. A police spokesman said, Georgy Chanturia, 35, head of the opposition National Democratic Party, died after gunmen raked the car near his home in Tbilisi with machine-gun and automatic rifle fire. His wife, Irina Sarishvili, a member of Parliament, suffered several bullet wounds.

TRAVEL UPDATE

N.Y. Airports Get Tough on Hustlers

NEW YORK (NYT) — The Port Authority of New York and New Jersey, which runs the three major airports serving the New York City area, has taken steps to enforce a new law against hustlers who often target foreign tourists.

Ground-transportation hustlers at the airports now face up to \$1,500 in fines and 45 days in jail. A total of 75 illegal drivers have been arrested since the law took effect Nov. 1, a port authority police sergeant said. In the past, hustlers faced only \$50 fines.

Hustling charges can be filed against people who pretend to help with luggage and then either charge the tourist dearly for the service or steal the bags; limousine drivers who solicit riders without previous arrangements; and taxi drivers who overcharge.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Haiti, Thailand.
TUESDAY: Finland, Spain.
WEDNESDAY: Ivory Coast.
THURSDAY: Argentina, Austria, Brazil, Chile, Colombia, Costa Rica, Italy, Liechtenstein, Macao, Malta, Monaco, Nicaragua, Panama, Paraguay, Portugal, Peru, Spain, Vatican City.
FRIDAY: Tanzania.
SATURDAY: Equatorial Guinea, Kenya, Namibia, Thailand.
Sources: J.P. Morgan, Reuters.

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Belgium (CC)	France (CC)	0800-10012	Kenya	9600-102-90	Portugal (CC)	008-11-800	Trinidad & Tobago	(Special Phone Only)
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Bolivia	Greece (CC)	000-8012	Lebanon (CC)	0120-0012	Romania (CC)	001-190	Ukraine	8910-073
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Canada (CC)	Iceland	1-800-424-1000	Luxembourg	1-800-624-2721	S. Korea (CC)	00-017-1234	United Kingdom (CC)	To call the U.S. using BT
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Colombia (CC)	Netherlands (CC)	080-30000	Norway (CC)	001-800-674-7000	Sierra Leone (CC)	01-800-1800	To call anywhere other than the U.S.	0500-99-890
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THE AMERICAS / COUNTING CRIMES

Most Murder Victims Killed by Strangers

Compiled by Our Staff From Dispatches
WASHINGTON — The FBI on Sunday reported a shift in U.S. murder patterns in the 1990s, saying that the majority of victims were now killed by strangers. "Every American now has a realistic chance of murder victimization in view of the random nature of the crime has assumed," the FBI said in its annual report on crime in the United States.

In the past, most murders took place during what the FBI called "clearly defined circumstances such as crimes, passion and arguments among family members or acquaintances."

In a separate report, the FBI said the number of serious crimes in the United States fell by 3 percent in the first six months of 1994, continuing a decline that began in 1992. The crime rate fell by 5 percent last year and 2 percent in 1992.

The FBI divides serious crimes into two categories: crimes of violence, like murder and rape, and crimes against property like burglary and arson.

Crimes of violence dropped 4 percent in the first half of 1994 from the same year-ago period. Of the various violent crimes, the overall rate for murders fell 2 percent, rapes decreased 6 percent, robberies went down 4 percent and aggravated assault dropped 3 percent.

Of the property crimes, burglaries dropped 6 percent, while larcenies and car thefts each declined 2 percent. Only the arson rate showed no change.

The decreases occurred after a dramatic eight-year upswing fueled by a wave of inner-city murders and drug-related incidents involving deadly assault weapons.

Officials offered no explanation for the trend and cautioned against too much optimism.

"Any decline in reported crime is welcome, but the level of crime is still unacceptably high and it must be substantially reduced," said Louis Freeh, the FBI director.

Gerald M. Caplan, a former federal law-enforcement official who is dean of the McGeorge School of Law in Sacramento, California, offered a note of caution, saying that data collection "is not so refined that one can safely predict a trend in this area."

Demographics could explain some of the modest decline, Mr. Caplan and others suggested. They pointed to the shrinking numbers of Americans in the 18-to-26 age group, which accounts for most violent crime.

Jan Chaiken, an authority on crime figures at the Justice Department, said, "People also are working more to protect themselves, which is why we have seen a decline in burglaries and car thefts."

The FBI also issued its final figures for 1993, which showed that 14.1 million serious offenses were reported that year to law-enforcement agencies across the nation, or 5,483 crimes for every 100,000 inhabitants.

Aggravated assaults accounted for 59 percent of the violent crimes reported last year. Robberies accounted for 34 percent; forcible rapes 5 percent, and murders 1 percent.

(Reuters, LAT)

White House Uneasy Over Whitewater Plea Accord

By Stephen Labaton
 New York Times Service

WASHINGTON — White House officials have expressed surprise and apprehension about reports that Webster L. Hubbell, a close friend of President Bill Clinton, has agreed to plead guilty to felony charges and cooperate with Whitewater prosecutors in their expanding investigation.

Bracing themselves for a new round of political criticism, the officials nonetheless said that they did not believe the plea agreement would have any significant legal ramifications for the White House.

They said Mr. Hubbell, once the No. 3 official in the Justice Department, did not have any inculcating information about either President Clinton or Hillary Rodham Clinton.

"The disposition of this case, if true, does not concern either of the Clintons or Whitewater," said a close aide to the president.

"The charges are totally unrelated and arise out of Hubbell's billing practices in Little Rock."

Privately, though, some officials expressed concern that the plea agreement would bring Whitewater back to the fore and that Republicans would point to it as another sign of a tarnished presidency.

Congressional Republicans said that Mr. Hubbell's decision had made Whitewater hearings next year imperative and that it was now inevitable that they would demand his testimony.

"We had requested Hubbell as a witness last year, and the majority turned us down," said Representative Jim Leach, Republican of Iowa, who will head the House Banking Committee in January. "It can be expected that he will be called in 1995."

Senator Alfonse M. D'Amato, Republican of New York, who will head the Senate Banking Committee, said the plea agreement "confirms the need for Congress to continue its investigation into the many unanswered questions concerning the Whitewater controversy."

Mr. Clinton has referred to Mr. Hubbell as his closest friend. He was also Mrs. Clinton's partner at the Rose Law Firm through the 1980s, a period now being examined by the Whitewater independent counsel, Kenneth W. Starr.

Mr. Starr's office declined to comment about the Hubbell investigation. Although Mr. Hubbell has agreed in principle to plead guilty to two felony counts, lawyers were described as still working on the wording of the formal plea agreement.

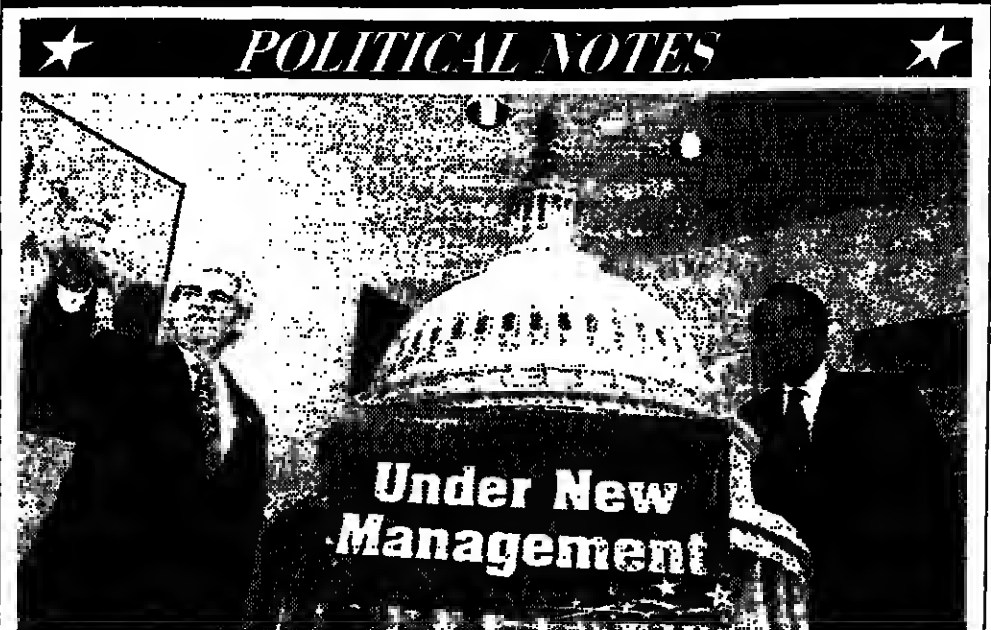
Until it is formally completed, Mr. Starr's office did not want to make any comments that might jeopardize it or make Mr. Hubbell reconsider.

People involved in the investigation said Mr. Hubbell had agreed in principle to plead guilty to two counts rather than face an indictment with more counts and potentially stiffer penalties that Mr. Starr was prepared to seek.

He has been under investigation for reportedly overcharging his law firm and the federal government for its representation of regulators involved in a savings and loan case.

The charges in the draft indictment are only marginally related to the Arkansas real estate venture that has given the Whitewater inquiry its name.

Some of the false billings under investigation are said to have involved work that Mr. Hubbell did for U.S. regulators examining Madison Guaranty Savings & Loan, which was operated by the Clintons' partner in Whitewater, James B. McDougal.



HOUSE PROUD — Newt Gingrich of Georgia, left, the future speaker of the House, and the incoming Senate majority leader, Bob Dole of Kansas, meeting with the press in Washington with a model of their new acquisition, the Capitol building.

Toughest Task for Daschle

WASHINGTON — In electing Tom Daschle to lead them for the next two years, the 47 Democrats of the new Senate have chosen to tread close to the political path they have followed since Bill Clinton became president.

Mr. Daschle, a South Dakotan who turns 47 next week, campaigned all summer as a reformer of the Senate's Gordian knot of rules and traditions, as a man who would ramrod legislation onto the floor and get senators home at a decent hour. That was back when Democrats ran the chamber and fully expected to keep doing so.

But Democrats will be in the minority in the 104th Congress, which convenes next month, and Mr. Daschle's reform plans are moot. What distinguishes him now are his unusually close ties to a president and a first lady whom any number of Democratic senators blame for their loss of power.

Mr. Daschle's hardest task could be convincing the Senate's Democrats, almost half of whom opposed him in the election last week, that he can stand up to Mr. Clinton.

"What we needed in the last Congress, and did not have, was a leadership that could sit down in the White House and say to the president, 'That won't work, that will fail,'" said a top aide to one senator who opposed Mr. Daschle. "And I don't know who that's going to be in the elected leadership now."

(NYT)

The Georgia Republican said those figures were proof that "you've got scattered throughout this administration counterculture people."

In a broadcast interview, Mr. Gingrich said that he "had a senior law enforcement official tell me that in his judgment, up to a quarter of the White House staff, when they first came in, had used drugs in the last four or five years."

He said the administration had had "huge problems getting people through security clearance" because there were so many people "who had a lot of things that weren't very easy to clear."

The White House had no immediate comment on the allegation.

Mr. Gingrich's remarks came as he tried to explain a statement he made several weeks ago that President Bill Clinton and his wife were "counterculture McGovern-niks."

He asked how Mr. Clinton could have a surgeon general, Dr. Joycelyn Elders, who has advocated the legalization of drugs. "I assume he shares her values," he said. "I assume he thinks it's O.K."

Asked about his acknowledgment that he, like Mr. Clinton, had smoked marijuana as a youth, Mr. Gingrich said, "That was a sign we were alive and in graduate school in that era." Mr. Gingrich, 51, is three years older than the president.

(AP)

Quote/Unquote

Barbara Sinclair, a political scientist at the University of California at Riverside, on the lack of dissenting voices among the new Republican majority in Congress: "Of the few true generalizations you can make about politics, one of them is that new majorities tend to be more cohesive."

(NYT)

Drugs and the White House

WASHINGTON — Up to a quarter of White House staff members used illegal drugs in the four to five years before they began their jobs, the future speaker of the House, Newt Gingrich, asserted Sunday.

Away From Politics

- Scores of young people fleeing a brawl in an overcrowded nightclub in Elizabeth, New Jersey, became trapped in a narrow stairwell, where they were crushed, killing four — including a 13-year-old girl — and injuring at least 20.
- Federal funding for creating human embryos solely for research purposes will be prohibited, the Clinton administration said. The decision does not constitute a ban on human embryo research, nor does it prohibit federal funding for research on "spare" human embryos fertilized for possible implantation in patients of in-vitro fertilization clinics.
- The University of New Hampshire reinstated a professor who had been suspended for classroom remarks that students said amounted to sexual harassment. The trustees agreed to pay J. Donald Silva, 59, \$60,000 in back pay and damages, plus \$170,000 in legal fees.

- His "transgression": To illustrate simple, he described belly dancing as being "like Jell-O on a plate with a vibrator under the plate."
- The airborne windshear warning system on USAir Flight 1016, which crashed July 2 in Charlotte, North Carolina, killing 37 people, was useless because of a design that delayed its warning until just before impact, the National Transportation Safety Board said.
- A Southwest Airlines jetliner made an emergency landing at Burbank, California, after the pilot reported mysterious fumes that annoyed some passengers. No fumes were found.
- The body of a 76-year-old man in the early stages of Alzheimer's disease was found in Seligman, Arizona, near the remote area where his wife survived two weeks stranded in their van.

- A federal judge has upheld a jury's award of \$7.9 million in damages to a Springfield, Virginia, man who destroyed his liver by an apparently toxic reaction after he took Tylenol and drank wine. The drug maker, a unit of Johnson & Johnson, will appeal.
 - Harvard University announced that David Rockefeller, an alumnus and former chairman of Chase Manhattan Bank, had given the university \$11 million to establish a center for Latin American studies.
 - Prosecutors dropped charges against Margaret Kelly Michaels, the former day care teacher who spent five years in prison before her 1987 conviction for child sex abuse at the Wee Care Nursery of Maplewood, New Jersey, was overturned on appeal last year.
- WP, LAT, AP, NYT

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St. Petersburg arr. 16.15

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Welcome To
Austrian Airlines

U.S. to Speed Asylum Process

Changes Seek to Reduce Backlog and Abuses

By Steven Greenhouse
New York Times Service

WASHINGTON — Concerned that tens of thousands of people have applied for political asylum as a method of getting a job in the United States, the Immigration and Naturalization Service has announced major changes in the process with an eye to deporting undeserving applicants faster.

The INS said that to reduce the backlog of 425,000 asylum seekers, many of whom hold jobs during the year or more that it takes for their cases to be decided, it would double the number of asylum officers, interview all new applicants within 60 days and seek to dispose of new cases within 180 days.

Doris Meissner, the agency's commissioner, said the asylum program needed to be revamped because of the embarrassing backlog and widespread abuses.

But the INS said it had scrapped a plan to impose a \$130 asylum application fee. Critics of the fee had argued that many applicants would have difficulty paying it.

Ms. Meissner also announced two other politically sensitive decisions. One would grant entry to some Cuban children being held at the Guantanamo Bay Naval Station and in Panama. The other would deny temporary protection to tens of thousands of refugees from El Salvador in the United States.

Under current rules, asylum seekers can obtain work permits within 90 days of applying, encouraging many people to apply because they know they can work during the long wait as their cases are caught up in the backlog.

To discourage this, asylum applicants from

now on will be given work permits only after they are granted asylum or if there is no final determination of their application within 180 days, the INS announced.

Using money authorized by the anti-crime legislation enacted this year, the agency will more than double the number of asylum examiners, to 334. The number of immigration judges will rise to 179 from 116.

The goal will be first to keep current with the 13,000 asylum applications filed each month, outcome that officials hope can be achieved by April, and then to start trimming the backlog.

Ms. Meissner said the government would interview the 3,000 Cuban children being held in Guantanamo and Panama and would grant entry, on a case-by-case basis, to those facing the greatest hardships. Their parents will be admitted with them.

Ms. Meissner denied that the decision was an about-face for the administration, which said repeatedly last August, when thousands of Cubans headed toward Florida in rafts, that those subsequently detained at Guantanamo would never be granted entry.

Ms. Meissner also announced that the Clinton administration would terminate on Dec. 31 the protected status that has allowed almost 200,000 refugees from El Salvador to remain in the United States while a civil war raged at home. She said that status was being ended because violence and human rights abuses had greatly abated in their homeland.

The refugees first received temporary protected status in 1990, and President Clinton extended it last year. It is due to expire at the end of December.

Swiss Vote To Tighten Handling of Foreigners

The Associated Press

BERN — Swiss voters on Sunday overwhelmingly backed government plans to tighten asylum procedures and make it easier to expel foreign criminals.

In a reflection of popular anger against foreign drug dealers, 72.8 percent, or 1.4 million people, voted in favor of the tougher measures. About 530,000 people voted against. Turnout was 43 percent.

The new law allows local authorities to detain foreigners without proper papers for three months, and in certain instances six months, pending a decision on their asylum application or deportation.

This is mainly aimed at people who have applied for refugee status and then committed a crime, or who refuse to reveal their identity, hoping to avoid expulsion.

"Our generosity toward people in need is inscribed into the humanitarian traditions of our country," the government said in a pre-vote brochure.

"Once a person has been refused asylum, he or she must accept the decision. That's the only basis on which we can maintain our humanitarian policy," it wrote.

Switzerland granted refugee status to 18,000 people last year.

In Zurich, the center of the country's biggest open drug scene and violence between competing dealers, 80.6 percent of voters were in favor of the tougher approach.

Parliament approved the tougher law in March. But opponents collected the 50,000 signatures needed under the Swiss system of direct democracy to challenge it in a national referendum.



A Dutch peacekeeper rejoicing in Amsterdam after she was released by Bosnian Serbs.

BOSNIA: Republicans Urge Major Bombing of Serbs

Continued from Page 1.

we're telling you to just back off and accept an armed truce."

Both Republican leaders were highly critical of Mr. Clinton's handling of Bosnia policy. After initially outlining a more aggressive policy in Bosnia than NATO allies in Europe, the White House recently approved a shift aimed at aligning with Europe in pressing for a diplomatic solution. Europeans complain that their troops are bearing the peacekeeping burden in Bosnia without American help on the ground.

White House officials said Sunday that diplomatic efforts had not been exhausted and that bombing would only worsen the situation.

Mr. Christopher said he pro-

foundly disagreed with the policy outlined by Mr. Dole, saying it was certain to drag the United States into a ground war because Washington could not walk away from the inevitable failure of an air campaign.

"No military expert that I know of feels that a bombing campaign would be successful," Mr. Christopher said.

Defense Secretary William J. Perry took a similar approach, saying in a separate broadcast interview that ground combat between Muslim and Serbian forces was stalled.

"That suggests to us that a peace plan is best for all parties concerned," he said.

Only a week ago, Mr. Perry said Muslim forces could not hope to regain territory already

lost to the Serbs, but on Sunday he amended that view, saying it only applied to the UN "safe area" of Bihac, which has been under Serbian assault.

Further NATO air strikes, which have been intermittent, are not ruled out, Mr. Perry said.

Mr. Gingrich joined Mr. Dole in a broad attack on the United Nations and what they see as a tendency by Mr. Clinton to seek multilateral solutions to problems that require stronger U.S. leadership.

Both Republican leaders called UN troops in Bosnia "hostages." Mr. Gingrich called it "unbelievably dangerous" to have NATO in a "pathetic and helpless" military situation in Bosnia.

Mr. Hurd has warned that if progress is not made soon, the UN will have little option but to withdraw its more than 22,000 peacekeeping troops and leave the Bosnian Serbs and the Muslim-led Bosnian government forces to fight it out.

The British lieutenant general who commands UN forces in Bosnia, Sir Michael Rose, echoed Mr. Hurd's frustration Sunday, saying: "You cannot go on peacekeeping in a vacuum. We have seen a certain impasse develop over the summer months, and we're probably seeing the consequences of that now."

UN Secretary-General Boutros Boutros-Ghali said Saturday that contingency plans for a pullout of the UN troops were well advanced.

Bosnian Serbs released 20 British and 33 Dutch peacekeepers, 53 of the total 402 they were holding as insurance against further NATO air strikes. And UN military convoys reached the Muslim enclaves of Gorazde and Bihac this weekend. (Reuters, AP)

Another example of things to come, Russian demands for a free hand in peacekeeping in Nagorno-Karabakh blocked agreement on Sunday to send a 3,000-strong multinational peacekeeping force to the enclave, diplomats said.

The North Atlantic Treaty Organization recently ordered ministers to define conditions for admitting former Warsaw Pact foes. Angered by the move, Russia backed out of a program for closer political and military cooperation with the allies.

The United States and other Western nations are willing to give the security conference more muscle to prevent regional conflicts and monitor human rights. But they refuse to let it overshadow the Atlantic alliance.

Created in 1975 by the Helsinki Act, the Conference on Security and Cooperation in Europe was the only institution in which NATO and the Warsaw Pact came together to discuss security and human rights issues.

Those tasks have changed with the end of the Cold War. The leaders were also to herald the signing of the Nuclear Nonproliferation Treaty by Ukraine, which inherited 176 nuclear missiles and around 1,800 warheads after the 1991 Soviet collapse.

President Leonid Kuchma will sign the accord Monday in the presence of Mr. Clinton, Mr. Yeltsin and other leaders. In exchange, Mr. Kuchma expects to get Western aid to pay for dismantling the weapons.

Mr. Clinton was scheduled to spend less than seven hours in Budapest and return to Washington on Monday evening. The trans-Atlantic round trip is sandwiched between two White House events—a Sunday afternoon ceremony honoring patrons of the arts and a congressional ball Monday night.

Mr. Clinton has a Latin American summit meeting in Miami next weekend, and his work otherwise is dominated by efforts to deal with the forthcoming Republican control of Congress.

One official said Mr. Clinton felt it important to make a "symbolic demonstration of the U.S. commitment to the CSCE and to a broader engagement in dealing with European security problems," particularly because of "the continuing agony we face in trying to grapple with the Bosnian crisis."

(AP, Reuters)

U.S. Gets Nowhere In Talks With Serbs

Compiled by Our Staff From Dispatches

BUDAPEST — U.S. officials said Sunday that they had made little progress in new peace talks with the Bosnian Serbs, even against a background of growing pressure for United Nations peacekeepers to pull out.

Secretary of State Warren M. Christopher said Charles Redman, an aide who met Saturday with the leadership of the Bosnian Serbs, described the talks as "useful but not decisive."

A U.S. official said earlier that Mr. Redman had made no headway trying to persuade the leader of the Bosnian Serbs, Radovan Karadzic, to join talks on a plan from the five-nation "contact group."

"There was no indication Karadzic had moved, nor did we expect him to," the official said.

The Bosnian Serbs have so far rejected the peace plan, which would give them roughly half of the former Yugoslav republic.

Ministers from the contact group nations relaunched their peace plan in Brussels on Friday, hinting they could allow some form of confederation between the Bosnian Serbs and Muslims in Serbia.

Foreign Secretary Douglas Hurd of Britain and his French counterpart, Alain Juppé, will brief Mr. Christopher and other leaders on talks they held Sunday in Belgrade.

In a news conference after meeting with Mr. Hurd and Mr. Juppé, President Slobodan Milosevic of Serbia said he fully agreed with the peace plan and called for an immediate end to the fighting.

Mr. Hurd has warned that if progress is not made soon, the UN will have little option but to withdraw its more than 22,000 peacekeeping troops and leave the Bosnian Serbs and the Muslim-led Bosnian government forces to fight it out.

The British lieutenant general who commands UN forces in Bosnia, Sir Michael Rose, echoed Mr. Hurd's frustration Sunday, saying: "You cannot go on peacekeeping in a vacuum. We have seen a certain impasse develop over the summer months, and we're probably seeing the consequences of that now."

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(AP, Reuters)

What many here expect is that once the last troops leave the UN compound, crowds will storm the fences to loot whatever equipment and supplies are left. "They will try to get hold of this building," said Major Zubair Chaftha of Pakistan, the UN military spokesman. "Hopefully, we will not be here."

"The port and the airport will be a big problem," a top UN official said. "There's going to be a big battle for them."

A few blocks from the compound, at the headquarters of General Mohammed Farah Aidi's Somali National Alliance militia, there is a swirl of activity. Crowds gather, hoping for positions in the new "government" General Aidi is expected to declare. Asked about the departing peacekeepers, his supporters say only one thing: Surrender.

"Our country is free," said Abdulkarim Ahmed Ali, the secretary-general of the faction. "We feel some sort of independence now. Their policy was the 'new world order,' and it failed. We were the testing ground, and they failed. They tried everything, and everything is failing."

(AP, Reuters)

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(AP, Reuters)

AMERICAN TOPICS

A Tradition: Piety in Public Places

Across the United States, city councils begin the most routine business sessions with an invocation. Athletes bow heads and join hands in the locker room as they would in a church. And the vigilance of civil libertarians for the constitutional separation of church and state notwithstanding, crèches still pop up on public property at Christmastime.

Such open displays of piety may puzzle or amuse non-Americans. But public acknowledgement of the divine remains an integral part of life in much of the United States, Gustav Niebuhr notes in *The New York Times*.

"You have to realize that America is, of the most advanced industrial nations, the most religious," said Robert N. Bellah, professor of sociology at the University of California at Berkeley and an author of *"Habits of the Heart: Individualism and Commitment in American Life"* (HarperCollins).

A poll released last year by a consortium of social science research centers showed that, among the dozen technologically advanced nations surveyed, belief in God was highest in the United States and Ireland.

To the United States, popular piety has been nourished by the very fact that it is voluntary, say those who study religion and law.

Short Takes

Tony Berryman, 54, of Detroit, was so frustrated by squatters in his vacant house that he

doused it with gasoline to burn it, and possibly to collect insurance, firefighters officials said. But he was killed when a pilot light set off an explosion, trapping him inside.

Lots of people drive motorcycles to work. But how many ride brand new Harley-Davidsons at work? Jeff Nesbitt rolls them off the assembly line and hops on for test drives at the Harley factory in York, Pennsylvania. He has done it 65 times a day for five years. That is more than 80,000 bikes, or about \$800 million worth of custom chrome, steel, leather and rubber. "There's no better job on Earth," says Mr. Nesbitt, 34, a smile connecting his bushy sideburns. "And I get paid for it!" Since the biggest Harleys are nicknamed "hogs," he could be described, perhaps, as being in Hog Heaven.

Actors Equity takes a dim view of people who take pictures in theaters. In addition to copyright problems, *The New York Times* notes, the flashbulbs momentarily blind the actors, who then may blunder into a one-on-one piece of moving scenery. At a recent matinee of "Sunset Boulevard," Glenn Close made her entrance to a mass popping of flashbulbs. Normally ushers rush down the aisle to stop these people, but they were all in the lobby dealing with late arrivals. So Miss Close took matters into her own hands. Dropping out of character, she announced, "Ladies and gentlemen, we can either have a photo session or we can go on with the show, but we cannot do both." The house went wild, the shutterbugs were squelched and the show went on.

Gem of the Day, from the Ann Landers advice column: Winter is the season when the children leave open the doors they slammed all summer. *International Herald Tribune*

BOOKS

SAINT-EXUPÉRY: A Biography

By Stacy Schiff. 525 pages. \$30. Knopf.

Reviewed by Kenneth Murphy

WANTING to know an author because you like his books, Eric Linklater once said, "is like wanting to know a goose because you like pâté." The pâté was spread pretty thickly in the life of Comte Antoine Jean-Baptiste Marie Roger de Saint-Exupéry — aristocrat, pioneer, aviator and author — leaving scant time for the business of writing the books, such as "The Little Prince," that have immortalized his name. Characteristically, when he and his airplane disappeared on a flight in 1944, Saint-Exupéry was juggling a number of literary projects along with his

role as a reconnaissance pilot for the Free French air force.

Schiff's is a biography in the round. Never in this long book is there a point when the reader wants to put it down. This is a weighty work in several senses: From beginning to end, the story is deftly constructed; narrative, analysis, description and speculation flow into one another painlessly.

Ambivalence was at the heart of Saint-Exupéry's literary achievement, and Schiff treats in detail the sources of his singular restlessness. Born into the impoverished fringes of the aristocracy of provincial France, the young Saint-Exupéry did not relish the official education and narrow career choices deemed appropriate to one of his position. Quite literally, he took to flight, becoming one of that small band of freebooting celebrity aviators who captivated the public on both sides of the At-

lantic in the 1920s. Saint-Exupéry lived a nomadic, precarious, often despondent existence as he began his writing career, thrusting himself, his brooding silences, magic tricks, bad debts and perpetual cigarette smoke upon a small clique of loyal and long-suffering friends.

Schiff is worried, as only a late 20th-century biographer can be, about Saint-Exupéry's sexuality. She is worried that Saint-Exupéry's failed romance with that dreamy collector of men, Louise de Vilmorin, was so all-consuming that, for years after, Saint-Exupéry's life seemed emotionally dislocated. Although she provides full details about the oddities of their relations, whatever magic Louise held escapes Schiff.

Following on his failure with Louise, Saint-Exupéry resigned, as it were, from his place in the French class structure. Schiff is at her most informative and persuasive in her accounts of Saint-Exupéry's adventures as an aviator. His isolation, so against the grain of his time — for the 1930s were a decade when writers like André Malraux became engaged and even men like André Gide and Samuel Beckett were forced to take sides — was crucial to Saint-Exupéry's vision. Not even the Spanish Civil War, that catalyst of agitprop and political novels, could coax him into commitments. "Franco's soldier is noble; his opponent as well," he wrote on leaving Spain soon after the bombing of Guernica. "I condemn any school of thought which — for coherency's sake — is forced to reduce the enemy army to a pack of pillaging, im-

becile peons." More telling, perhaps, was his confining this testament to his private diary.

Such privacy hardly fitted Saint-Exupéry to the intellectual civil war that followed France's collapse in June 1940, although it does go some way toward explaining the isolation in which he found himself in New York after fleeing the Nazi occupation. In her desire to defend her hero, and her dislike of Gaullist chauvinism, Schiff seems to overlook the central issue. Neither the over-sensitivity of de Gaulle's supporters, nor the clumsiness of allowing his war memoir "Flight to Arras" to be published in occupied France, nor the content of writings that superficially cast him as pro-Vichy is what really mattered.

What mattered, quite simply, was the staggering wisdom of failing to see that political decisions could not be avoided, something that even "The Little Prince" might have known.

In its way, however, Saint-Exupéry's political naiveté was a backhanded tribute to the purity of his vision. Floundering in the complicated politics of his age, Saint-Exupéry "wrote a satire of the adult world." That "The Little Prince" emerged so shortly before Saint-Exupéry's death assured that his legend escaped from his creator's pages and even from his control. That way an enduring myth is born.

Kenneth Murphy, author of "Retreat from the Finland Station: Moral Odysseys in the Breakdown of Communism," wrote this for *The Washington Post*.

WHAT THEY'RE READING

Julian Evans, author of "Transit of Venus: Travels in the Pacific," is reading "The Letters of Gustave Flaubert," edited by Francis Steegmuller.

"In an age dominated, one might say contaminated, by biography, it is wonderful to go back to the words of writers writing about themselves. The book is an utter joy from start to finish." (Roderick Conway Morris, *IHT*)

North and South were vulnerable. The bidding: North 14, East 14, South 14, West 14. N.T. Pass. Pass. Pass. Pass. West led the diamond two.

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PEACE: Israel Hesitates on Pullout

Continued from Page 1

under pressure as well." Mr. Abu Irdin said. "We want our legitimacy to come from the people. Any delay is very dangerous. Peace is now at a very critical and sensitive period. If peace fails, everybody will pay for this catastrophe."

The problem for Mr. Rabin is that he and many independent analysts have come to believe that the agreement signed in Washington has a logical flaw.

In the interim period, before the two sides agree on the "final status" of the West Bank and East Jerusalem, Israel is supposed to grant a large dollop of autonomy to the Palestinians without making permanent territorial commitments.

For that reason, Israel is entitled under the accord to keep all its settlements in place while the talks proceed.

But in negotiations on the accord, Palestinians convinced Israel that they could not hold free elections while Israeli soldiers continued to patrol their streets. Israel, therefore, agreed to pull back its soldiers from towns and villages.

Mr. Rabin has concluded, according to senior members of his government, that those two

provisions are incompatible. Israeli newspapers are quoting "national assessment sources," a euphemism for military intelligence, as saying that it is impossible to protect many settlements while withdrawing from nearby population centers.

The example of tiny Netzarim in the autonomous Gaza Strip, where four Israeli soldiers died last month at an exposed road junction, has driven home this analysis to Mr. Rabin.

Ori Orr, a former general who chairs the Parliament's Defense and Foreign Affairs Committee, said that if Israel withdrew its forces and more settlers were killed, the whole peace agreement with the Palestinians could collapse.

One possible response for Israel is to begin uprooting some settlers. Mr. Rabin clearly aims to do so in the long run.

But as Environment Minister Yossi Sarid acknowledged, any such move is tantamount to deciding on Israel's future borders — a decision Mr. Rabin does not now feel strong enough to defend. "This is the most important part of the peace process," Mr. Sarid said, "as it will inevitably decide the next phase. It won't be reversed."

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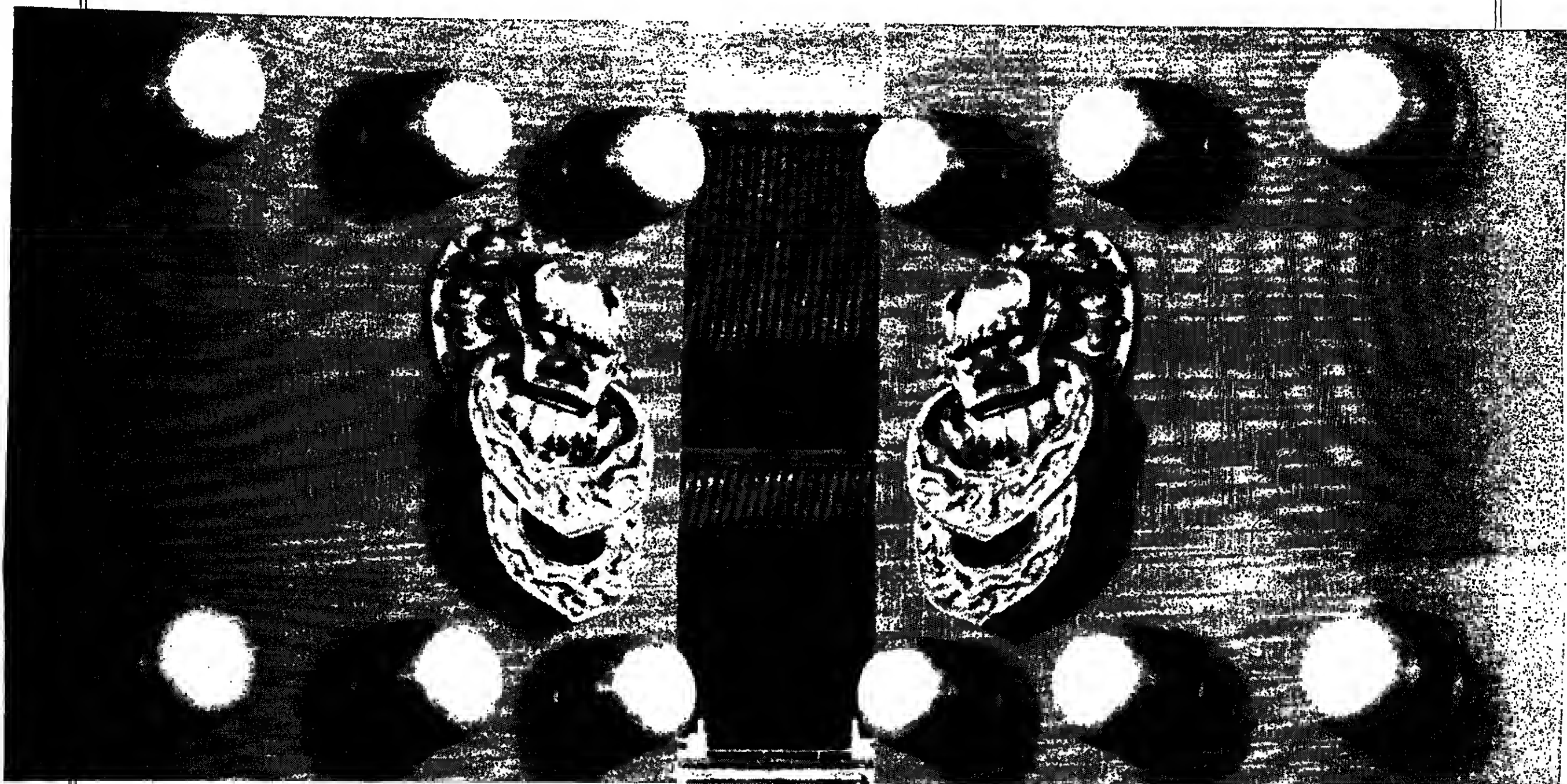
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Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Straight Talk About NATO

"Frankly," Warren Christopher confessed to NATO, "the international community was insufficiently prepared for Bosnia. Or hadn't you noticed? The secretary of state was at his desk in Brussels."

He actually found some NATO achievements to hail. The alliance has done "whatever" the United Nations asked — but this ignores the minimal nature of the UN requests. It has "established a no-fly zone" — but only intermittently enforced it. It has "prevented the conflict from becoming an air war" — this in good measure by limiting its own air missions. It has been "instrumental in preventing the spread of the conflict" — but also instrumental in letting down Bosnia.

What is the purpose of avoiding straight talk about NATO's Balkan performance? An alliance challenged to fulfill a new mission of strengthening European security outside its members' borders failed miserably.

Nor are its Bosnian trials at an end. NATO forces, provided by Europeans, are there in a weight dominating the UN peacekeeping presence. That creates the bizarre situation where NATO units, sent in supposedly to help Bosnians, are subjected to Serbian threat, attack and detention and end up adopting as their first mission relief and rescue for themselves. This mission notably detracts from the capacity to relieve Bosnians.

The international "contact group," including the United States, is now making a fresh attempt to draw Bosnian Serbs into the international peace plan. But the first item in the group's appeal necessarily will be the safety of the peacekeepers. Here lies the case for removing the peacekeepers and giving the Bosnians the chance that they insist they want to fight their own battle.

In Brussels, meanwhile, NATO came up against another shock for which it was "insufficiently prepared." No sooner had Secretary Christopher welcomed Russia's agreement to join the NATO Partnership for Peace security-cooperation program than the Russian foreign minister refused to sign.

Instead he complained about NATO's stated intent to take in new members from Central Europe.

Already NATO's progress toward enlargement is slow verging on glacial. The government in Moscow has its jitters about a new "line" being drawn in Europe. That puts a burden on NATO to explain and demonstrate to Russia how the careful, deliberate and transparent enlargement of the alliance serves the general confidence and stability. To slow further would be to grant Russia a veto over an alliance of which it is not a member. To back down on enlargement, after backing down on Bosnia, must be regarded as unthinkable.

— THE WASHINGTON POST

Just Muddling Along Without Any Policy

By William Pfaff

PARIS — The officials of Western governments now take refuge in thickets of blather, having abandoned Bosnia. They promise reform of their institutions of cooperation so that never again will there be a tragedy like the former Yugoslavia's.

U.S. Secretary of State Warren Christopher promised last Tuesday "a strengthened CSCE" to deal "more effectively and more

soundly" with future cases of international aggression. NATO is "fundamentally sound," according to Dee Dee Myers at the White House. There is "a Bosnian crisis, not a NATO crisis."

France's foreign minister calls for "a new international conference" on the former Yugoslavia. Germany's foreign minister says that "aggression should not pay." International villainy must surely recoil at such words.

Mr. Christopher says Partnership for Peace has made "extraordinary progress." NATO has "talked itself through the conditions, the circumstances, the implications, the responsibilities of membership" and "over time... must be willing to include nations that are willing to assume the necessary obligations and commitments." It will be enlarged.

Or perhaps not. The North Atlantic Council meeting in Brussels on Thursday named a commission to report back on the matter in a year.

This is criminal irresponsibility. It marks both Americans and Europeans.

The latest French-German summit agreed to do nothing but recommend peace and negotiations to Yugoslavia. Chancellor Helmut Kohl's own party has asked that the Bosnia arms embargo be lifted. This was ignored. Mr. Kohl deferring to President François Mitterrand's implicitly pro-Serbian neutrality.

Leaders will now discuss how to give Europe's military organization, the Western European Union, the command and logis-

cal structures that NATO possesses and the WEU lacks, so that Europe — next time — will not have to depend on American agreement and cooperation.

An anonymous French diplomat says, "The United States wants more than ever to control the show, on the back of the lives of French and British soldiers." Fine, as an expression of bitterness over what has gone on in Bosnia. But will the Europeans take future responsibility? Experience suggests that they will not.

The notion that reform of the mechanisms of cooperation can solve the problem is delusion, as every intelligent member of the American and European political classes must know. The collapse of the United Nations, NATO and the European Union in Bosnia had nothing fundamentally to do with the political and military machinery at the disposal of the Western countries. It had everything to do with the lack of a common policy. They did not know what to do with the machinery they possessed.

It follows that the future will not be improved by bureaucratic fiddling with the mechanisms of cooperation. It will be affected only by alliance decisions — Atlantic or West European — or the acts of individual governments prepared

to defend civilized values even if others dither or retreat.

It is essential that the policy problem be addressed, not the mechanical one. There are a number of serious conflicts in waiting. The problems of national minorities will worsen in that Greater Serbia which the Western powers now seem anxious to ratify. Albanian and Hungarian minorities have no secure place in the Greater Serbia now in prospect.

The new Hungarian government has dropped the irredentist rhetoric that characterized its predecessors, but the tensions provoked by Hungary's national diaspora remain grave. Romania's government has done little to halt the aggressive anti-Hungarian acts of local authorities in

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Hungarian-populated Transylvania. Greek-Turkish hostility over Greece's maritime claims in the Aegean Sea has been contained up to now only by strenuous American diplomacy. Greek-Macedonian and Greek-Albanian tensions remain serious.

The Western powers have acquiesced in Russia's reassertion of authority in Chechnya, which unilaterally claimed independence in 1991. What is Western policy with respect to the other new states issued from the old U.S.S.R.?

What distinctions are made? These issues have to be addressed. Institutional reform means nothing if the Western governments do not know what to do about actual problems. Here is where a joint policy ef-

fort must be made during the months to come. Threats and options must be put before policymakers now, while there is time for confidential reflection and common decisions.

What would NATO actually do about a Ukrainian crisis? What is the policy of the European Union on Balkan irredentist claims? Are the powers prepared to defend the principle that only peaceful and negotiated territorial change in Europe is acceptable? Will they defend human rights? How? Only with talk?

Now is the time to decide. They have a second chance to do so, after Yugoslavia. It may be the last chance.

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What East Europe Needs

After the disarray over Bosnia, the national security crowd in Washington seems to be seized with the question of how to save NATO. They should instead be asking how to ease the insecurity in Eastern Europe and Russia. To do so, they need to be clear about the well-springs of that insecurity.

The newly freed nations need political and economic reassurance, not military alliance, and a helping hand to bring them into the community of democratic nations. The worry is that the United States is not up to the job, especially now that the Republicans have taken control of Congress.

Some in the Republican Party, like Senator Jesse Helms, seem to regard any help to transform Eastern Europe and Russia as a waste of time and money. The hope is that leaders of broader vision like Senators Robert Dole and Richard Lugar will sense the opportunity and sustain the effort.

Offering NATO membership and security guarantees to Poles, Czechs and Hungarians is tangential to meeting their felt needs. It is also sure to alienate those who are excluded, especially Russia, where a nationalist reaction could topple Boris Yeltsin and the reformers, thereby increasing Eastern Europe's insecurity. Foreign Minister Andrei Kozyrev underscored that point last Thursday by holding up the start of his country's cooperation under NATO's Partnership for Peace.

Left intact, NATO can provide military insurance in case things go wrong in Russia. It can also help promote change by reaching out to ex-Warsaw Pact armies, including Russia's, promoting democratic control of the military and facilitating military conversion to peaceful pursuits. Yet NATO alone cannot meet Eastern Europe's needs. Other institu-

tions can — if they are strengthened.

Universities, foundations and other nongovernmental organizations need to sustain support for democracy and the free institutions that nurture it. Private-public partnerships can encourage everything from the stocking of libraries and the housing of military retirees to funding scientific research by former bomb-builders.

The European Union has yet to lay out a strategy for bringing the East into a European-wide market. It can move a lot more quickly than it has to lower agricultural and other trade barriers. It also can construct road and rail corridors to link the East and West, and invest in projects to reverse environmental degradation. Washington also needs to be involved.

The Helsinki accords give the 53-nation Conference on Security and Cooperation in Europe a leading role in preventing ethnic conflict and protecting human rights. The CSCE can also provide political legitimacy and oversight for peacekeeping in the region. Yet Washington has looked upon the CSCE as a rival to NATO and tried to constrain it.

The thickening web of ties to the West can help reassure anxious East Europeans, including Russia, that they will not be left out if they want in. At the same time, the West would be right to insist that the political and economic standards it sets for cooperation are met by countries seeking assistance and closer ties.

The new Republican majority has a chance to help transform the East. But it will not succeed if it focuses on expanding NATO and does not try to meet the East's political and economic needs — and ease its ethnic frictions.

— THE NEW YORK TIMES

When Laurels Don't Help

It takes a special kind of disdain for world opinion for a government to persecute a Nobel prize-winning writer or a world-famous poet and force him to flee his home. Unfortunately, it is by no means uncommon. It happened recently to the Nigerian poet and playwright Wole Soyinka, who won the literature prize in 1986. And something like it has happened to the exiled Chinese poet Bei Dao, not a Nobel laureate but well-known and beloved both in and outside his native land, who tried to visit his parents and was held, interrogated and finally sent back from the Beijing airport to the United States by Chinese authorities who accused him of political activities.

Bei Dao is back in Michigan, where he came after some of the Tiananmen Square protesters took his work as a moral anthem. Mr. Soyinka is in Paris, having fled there after authorities confiscated his passport in early November and refused to let him travel to a planned conference in Strasbourg. Taking the hint that, as he put it, the government might be preparing to give him "the Burmese treatment" — a reference to another Nobel laureate, peace prize winner Daw Aung San Suu Kyi, who has spent the five years since the prize under house arrest — Mr. Soyinka escaped

over the border by expedients that he would not describe on arrival in Europe but which, he told reporters there, "wounded my sexagenarian dignity."

You could say that both these men got off relatively lightly, and exile does compare favorably with some other alternatives — imprisonment, torture, assassination — faced by famous and nonfamous people of conscience who express principled dissent to governments that brook none. Mr. Soyinka has been prominent in pro-democracy activities and most recently filed a lawsuit challenging the legitimacy of the current Nigerian military government of General Sani Abacha, installed in 1993 after previous leaders canceled the results of a free election. (It was after the lawsuit failed, in late October of this year, that his passport was seized.)

But it is the government's intolerance, not the writer's suffering, that is most significant in such cases. The visibility conferred by a Nobel prize is supposed to afford some measure of protection to the laureate. When that protection fails to work, when governments are so dismissive of world opinion that they persecute or fail to protect even individuals so honored, it is a sign of real trouble.

— THE WASHINGTON POST

Capitalism Is Rampant, So the Flabby Better Shape Up

By Paul Craig Roberts

WASHINGTON — Liberals and conservatives alike regard the Republicans' "Contract With America" as a bold venture. In truth, it is a timid measure that even if carried out will leave the United States a handicapped player in the global capitalism of the 21st century.

Make no mistake, a capitalist revolution is sweeping the world. Communist central planning is no longer throttling the production and productivity of 1.2 billion Chinese people. Development planning is no longer stifling Latin America.

Latin America has a potential market twice that of the United States, and China's is four times as large. We know that these new players on the world scene are serious when the Chinese Communist Party uses its power to create stock markets and protect entrepreneurs, and when former socialist states such as Chile and Argentina privatize social security and national health care.

In 25 years, according to World Bank projections, China will have the largest economy, with the United States a distant second.

In a global economy, capital will flow to areas where returns are highest and away from those where it is savaged by taxes, regulations and tort liabilities.

So the United States has no choice but to stop building welfare and entitlement dependencies that it can no longer afford, and to return to the small-government era that permitted wave after wave of penniless immigrants to be absorbed into the economic life of a thriving nation.

The Republican contract takes steps in the right direction, but they are a baby's faltering steps, not the strides of confident leaders. Even Republicans are too imbued with guilt over inequality to permit America to really compete on the world stage.

If the United States, a welfare state grown soft and fat, is to survive in a competitive post-socialist world, it must privatize Social Security and health care, abolish welfare and cease to tax human and physical capital.

Above all, we Americans must return to equality before the law and terminate the emerging legal system — a throwback to feudal times — in which people have differing rights based on their status, in this case race and sex.

Privatizing Social Security is an urgent matter of survival. The viability of a pay-as-you-go system that transfers money from one generation to another depends on a high ratio of workers to retirees. This is no longer the case in the

United States, and the system is already renegeing on its promises by taxing Social Security benefits.

Privatization will be financially challenging. Large amounts of general revenue would have to be used to support those in retirement while younger workers are moved into individual Retirement Accounts and similar plans. These revenues can be made available only by curtailing functions of government that are inconsistent with a self-reliant people.

As Western Europe has discovered, a welfare-dependent population is a disadvantage in global competition. Only disciplined people with high saving rates to cushion themselves against uncertainties will make the adjustment to the new world order.

The economic cost of a government-supplied safety net is exorbitant, and its perverse incentives are socially debilitating. A new safety net will have to be built, using a combination of lower taxes, expanded Individual Retirement Accounts, medical savings accounts and charitable activities.

Nor can the United States afford the antipathy to meritocracy that suffices its economic and social policies. Capitalism depends on the recognition and reward of merit, but American law now demands advancement by race and

gender quota. A country bent on equality of result at all costs has no prospect of success in the emerging world capitalist order.

When multiculturalists demand the demolition of traditional academic standards even for the training of scientists, one must wonder whether the 21st century will find the United States engaged in the dismantling of modernity while its competitors become modern states. The cost of such a disastrous course cannot be offset by any economic policy.

The writer, U.S. assistant secretary of the Treasury in 1981 and 1982, is a fellow of the Caro Institute. He contributed this comment to The New York Times.

Upset With Urban-Industrial Failings

By Theodore Roszak

BERKELEY, California — When Newt Gingrich started using the term "counterculture" as an all-purpose pejorative before last month's election, I began to worry about the accuracy of America's national historical record — especially when he attached the word to sweeping judgments about "American civilization."

As I coined the term in my 1969 book "The Making of a Counter Culture," it referred to a minority within the protest movements of the period that had raised challenging questions about the sustainability of urban-industrial society. I sought to give coherence to the movement, traced its antecedents back to the Romantic movement of the late 18th century and gave the thing a name.

Almost at once the media began bending that name out of shape, limiting it to a sensational surface — drugs, sex, weird hair styles, raucous music, misconduct in public places. As it appears in textbooks and dictionaries today, the word "counterculture" is often defined as little more than an adolescent outburst.

The word meant nothing so simple or easily categorized. True exponents of the counterculture, as I saw it, believed that capitalism and its Marxist opposition were equally committed to expanding urban industrialism, taking the culture of the industrial city to be the unquestionable wave of the future. The only dispute between them was who should own and run the system. During the Cold War era, capitalists and Marxists alike were wedded to a dogmatic acceptance of technology and science and were intolerant of other worldviews.

From the countercultural perspective, "alienation" — limited by Marxists to the relationship of workers to property and labor — went further than leftist ideologues imagined, because they themselves were alienated from the primitive, the body, the ecstatic and the feminine as any profit-driven entrepreneur has ever been.

Even drugs, the most erratic and hazardous aspect of the countercultural protest, were more than mere fun and games; they represented a search for some altered state of consciousness that might "cleanse the doors of perception," in William Blake's phrase, and usher us into the postindustrial future.

Of course, had he troubled to ask what the word really meant, Mr. Gingrich would still have no greater liking for the counterculture. It has, after all, given rise to causes omitted from his contract with "normal Americans": environmentalism, feminism, the rights of gays, American Indians and ethnic minorities.

But he is more beholden to the '60s than he may know. It was guerrilla computer hackers, whose origins can be discerned in the old "Whole Earth Catalogue," who invented the personal computer as a means, so they hoped, of fostering dissent and questioning authority.

This is the same technology on which Mr. Gingrich, the "conservative futurist," is banking to rebuild the economy. Whatever else one might reject in countercultural protest, it was at least a brave call for openness and diversity. In comparison, "Ameri-

can civilization," as Mr. Gingrich sees it, is a poor thing: a narrow terrain bound by rigid orthodoxies. For one who holds so powerful an office, he is worryingly blind to those democratic vistas that Walt Whitman, a voice of the counterculture if ever there was one, celebrated when he heard "America singing, the varied carols I hear."

The writer is author of the forthcoming "The Memoirs of Elizabeth Frankenstein," a novel. "The Making of a Counter Culture" will be published in a new edition next year. He contributed this comment to The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Stiff Peace Terms

YOKOHAMA — In view of the action taken by China for the purpose of bringing about a cessation of hostilities, the question of terms of peace is being generally discussed here. From the statements of the Japanese press, it appears that Japan is prepared to insist on very heavy conditions. As the extent of Chinese territory occupied by the Japanese armies increases, the demands of the Mikado's Government will grow proportionately.

1919: Boxing Sensation

LONDON — One of the greatest sensations ever produced in the boxing ring was created to-night [Dec. 4], when Georges Carpentier, of France, knocked out Joe Beckett, of England, in just over one minute. The contest took place at Holborn Stadium, Lon-

don, before a large and distinguished throng, including the Prince of Wales. Besides retaining his title of heavyweight champion of Europe, Carpentier won the right to challenge Jack Dempsey, of America, for the world title. Incidentally, he won £5,500.

1944: Luck Over Tokyo

HEADQUARTERS 21st BOMBER COMMAND, Saipan — [From our New York edition:] In one of the most dramatic and unusual events in aerial combat history, an American Superfortress which had just bombed the Nakajima aircraft factory at Tokyo was rammed by a Japanese fighter plane over the target yesterday [Dec. 3] and lost part of one engine and nacelle, but made it home safely. The enemy plane then careened into another Japanese fighter, and both plunged to the ground in flames.

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Taiwan Opposition Wins Important Job

Nationalists Still Dominate, But Democracy Is Evolving

By Kevin Murphy
International Herald Tribune

TAIPEI — Only eight years ago Chen Shui-bian was sitting in jail, convicted of association with a magazine opposed to Taiwan's Nationalist Party and its authoritarian rule.

Standing in front of 30,000 roaring supporters early Sunday, the Democratic Progressive Party's winning candidate for Taipei mayor pledged cooperation with the government that once imprisoned him and dozens of party founders.

Over the din of horns and a barrage of fireworks, Mr. Chen also promised, in the once-suppressed native Taiwanese dialect, to mend the ethnic divisions prickled by fierce rhetoric in the island nation's most emotional and important elections.

Rowdy and rapid, political change has nonetheless come relatively smoothly to Taiwan since martial law and one-party rule were lifted in 1987.

The Nationalists, who have firmly controlled Taiwan since fleeing here from mainland China in 1949, held on to the powerful Taiwan provincial governor's post and the mayor's seat in the southern city of Kaohsiung when Taiwan's 13.9 million eligible voters went to the polls on Saturday. The Nationalist Party, or Kuomintang, still dominates the official government as well.

But Mr. Chen's victory in Taipei and a strong showing by another opposition party formed less than two years ago typify the dramatic but generally peaceful democratic evolution under way in Taiwan, analysts said.

"This is a remarkable result in the process of Taiwan's democratization," Wu Jau-shieh, an academic at National Chengchi University's Institute of International Relations, said of the elections, in which voter turnout exceeded 78 percent.

"It's the first time in 30 years that an opposition candidate has gained such an important executive position," Mr. Wu said. "And two opposition parties who are ideologically opposed will work together to control the Taipei City Council."

Ostensibly local in nature, island-wide electoral contests over strayed far from debate over Taiwan's national identity and future relations with Beijing, which regards the rich trading nation as a renegade province only temporarily beyond the fold.

While the Democratic Progressive Party and the more recently formed New Party railed against entrenched Nationalist corruption and inept local administrations, voters inevitably focused on individual candidates' stances on relations with China.

Predominantly ethnically Taiwanese, the Democratic Progressive Party advocates formal declaration of Taiwan's de facto independence from China, if supported by plebiscite.

The New Party, which draws support from Mandarin Chinese-speaking families originally from the mainland, aspires to eventual reunification with China. It also distrusts the goals of



Election posters coming down Sunday in Taipei, where the Nationalists lost a key post.

the Nationalists, who have moved to install native-born Taiwanese in positions of power alongside Lee Teng-hui, the president who strives to maintain a delicate status quo that defines Taiwan's identity in deliberately fuzzy terms.

Jaw Shau-kong, a popular New Party leader who placed second to Mr. Chen in the Taipei mayoral contest, accused Mr. Lee of having a secret plan to declare independence in 1996, a hint of the likely tone of Taiwan's first direct presidential elections, to be held early this year.

Democratic Progressive candidates, one diplomat said, "could reasonably downplay a pro-independence stance that still makes many Taiwanese nervous with the argument that these are local elections about local issues," referring to deep fears that China would invade if Taiwan formally broke away.

"But in the upcoming presidential elections it will be a much different story," the diplomat said. "Each candidate will have to defend their policy on the future of the island. This will prove very emotional."

Attacks on such politicians as James Soong, the Nationalist governor of Taiwan Province, for their inability to speak the local dialect fluently and heated exchanges centered on candidates' backgrounds stoked passions in the lead-up to voting.

Scattered interparty thuggery and widespread allegations of vote-buying by the Nationalists prompted authorities to put 70,000 policemen on alert Saturday night.

But the specter of mayhem that led some commentators to fear that the country's experiment with democracy might meet a damaging setback over materialized, as all parties cohesively claimed success at the polls.

The Nationalists maintained an overall majority of support and control of the provincial governorship, a holdover from the days when Taipei claimed to rule all the provinces of China, and its substantial resources for patronage and control of the media through ownership of one of three Taiwan television stations.

"If we are going to move toward full democracy, one has to get used to the fact that you can't win them all," said Jason Hui, head of the national government's information office.

They have rebuilt China's military academies and more

Beijing's 2 Enduring Officers

Military Leaders Positioning for Post-Deng Era

By Patrick E. Tyler
New York Times Service

BEIJING — When Deng Xiaoping was purged from the Chinese leadership in 1976, a senior marshal of the People's Liberation Army helped smuggle him to southern China in a windowless horse cart. Protected by military allies, Mr. Deng bided his time until comrades prevailed over enemies and helped him eventually become paramount leader.

Now, as Mr. Deng's health continues to decline, two top military leaders, Admiral Liu Huaqing, 78, and General Zhang Zhen, 80, are positioning themselves to influence China's political succession and any power struggle that might arise from his death.

Put in place by Mr. Deng in 1992 as transitional figures to guide his designated heir, President Jiang Zemin, Admiral Liu and General Zhang have conducted what U.S. intelligence agencies describe as a "major purge" of the top ranks of China's armed forces.

The purge, ordered by Mr. Deng, coincided with the removal in 1992 of President Yang Shangkun and his half-brother, General Yang Baibing. The Yangs were suspected of building up their own power base in the armed forces, but they could still play a role in the succession because of their connections.

Working closely with Mr. Jiang, Admiral Liu and General Zhang have improved the professional standards of the People's Liberation Army officer corps, which is still recovering from the Maoist days when rank disappeared and everyone was a private preparing for a "people's war."

They have rebuilt China's military academies and more strictly enforced a retirement age of 65 that seems to apply to everyone except themselves.

But now, with the purge concluded and Mr. Jiang's position as leader of the Communist Party and supreme military commander unrivaled, Admiral Liu and General Zhang appear reluctant to leave the stage.

"The old guys are still in control of the military," one China analyst said. "They just refuse to retire, and I believe they are going to remain in office to hold on to their own power."

In recent months, there have been persistent reports that General Zhang would be forced to retire next September during the annual gathering of the Communist Party leadership.

In a rare public comment on leadership changes, Mr. Zhang dismissed this speculation when approached by two Western reporters during a banquet at the Great Hall of the People.

"There isn't going to be any change," he said with a grin.

Now, two months after the party's leadership meetings, several Western diplomats say they believe that retirement plans for the two military leaders have been shelved.

"I think they are anxious not to leave at a time when Deng seems about to go and there are lots of questions about the transition," one said.

Whether they resisted retirement or had their terms extended with the concurrence of Mr. Jiang is an open question. The only thing certain is that their power and influence are intact.

Admiral Liu remains a member of the Politburo's standing committee, and he and General Zhang are deputy chairmen of the Central Military Commission, China's national security council, which Mr. Jiang heads.

Both are also members of powerful networks, and personal and family relationships are the foundations of power in China. Admiral Liu, for instance, was a protégé of Marshal Nie Rongzhen, who ousted China's strategic nuclear programs through the Cultural Revolution. General Zhang's 60 years in the party and military include serving under Marshal Chen Yi, who was foreign minister under Zhou Enlai.

Helping to cement Mr. Jiang's power, the admiral and the general have themselves groomed a new generation of top generals.

But the continued presence of Admiral Liu and General Zhang reflects not only the jitters about Mr. Deng's health, Chinese and Western experts say, but also a possible lack of confidence in Mr. Jiang's ability to hold together the competing forces within the party and Chinese society overall.

"Jiang Zemin is not a rock that you can build a regime on," said a longtime China specialist, who argues that the president will quickly find himself straddling irreconcilable differences between the party's moderates and hard-liners after the death of Mr. Deng, 90.

Should a power struggle erupt, as one did after the death of Mao in 1976, the admiral and the general would be among the key power brokers.

Elizabeth Glaser, Politically Active AIDS Victim, Dies at 47

Los Angeles Times Service

LOS ANGELES — Elizabeth Glaser, 47, whose agonizing story of how she and her two children became infected with AIDS brought a tearful silence to the floor of the 1992 Democratic presidential convention, died from the disease Saturday in Santa Monica, California.

The wife of the actor Paul Glaser (of "Starsky and Hutch" fame) had in the five years since she first disclosed her illness become a lobbyist in the international battle against the disease.

She said she became infected with the AIDS virus in 1981 after receiving a blood transfusion when she was nine months pregnant with her first child, Ariel.

In 1985, Ariel became seriously ill. The girl and her family were finally tested for AIDS and Mrs. Glaser tested positive. It was determined she had passed the virus to Ariel through her milk. She also had transmitted the virus to her second child, Jake. Her husband was the only family member who remained uninfected.

After her daughter's death, Mrs. Glaser went to Washington and lobbied congressional representatives, seeking help both to fight the AIDS battle and to raise the public's consciousness about who was at risk. She also co-founded the Pediatric AIDS Foundation.

In 1992, she was asked to speak at the Democratic convention.

"Exactly four years ago," Mrs. Glaser said, "my daughter died. She did not survive the Reagan administration. I am here because my son and I may not survive another four years of leaders who say they care — but do nothing."

Svetlana Stravinsky, 84, Son of Russian Composer SARASOTA, Florida (NYT)



Elizabeth Glaser as she addressed the Democratic National Convention in 1992.

Mr. Stravinsky was reared in Paris, where he studied the piano with Isidor Philipp and music theory and composition with Nadia Boulanger. He made his Paris debut in 1934, and was at first a specialist in his father's piano music. Between 1934 and 1938, he toured with several Stravinsky works.

He joined the faculty of the University of Illinois School of Music in 1950 and taught piano there until 1978.

Lionel Stander, 86, Actor And Liberal in Hollywood

LOS ANGELES (NYT) — Lionel Stander, 86, whose gravelly voice and beaming brow made him a memorable presence on stage and screen and whose political beliefs in the era of the Hollywood blacklist earned him a long exile from American films, died of lung cancer Wednesday at his home in Los Angeles.

Mr. Stander, who began his show business career at the age of 17, was working as recently as two weeks ago, when he appeared once again with Robert Wagner and Stefanie Powers as Max, the lovable father figure, confidant and chauffeur, in a two-hour "Hart to Hart" special broadcast by NBC in February.

Often cast as a sociocomic villain, Mr. Stander appeared in such films as "Mr. Deeds Goes to Town," "Loving One," "New York, New York" and "1941."

Fiercely liberal, he made a memorable appearance in 1953 before the House Committee on Un-American Activities, which had been investigating communism in Hollywood for years.

Survivor Rescued In Manila Bay

The Associated Press

MANILA — The second in command of the ferry that sank after colliding with a freighter was rescued in Manila Bay on Sunday, two days after the accident that killed more than 140 people, the coast guard said.

A coast guard spokesman, Lieutenant Commander Amado Samante, said Chief Mate Reynaldo Bulodo of the ferry Cebu City was rescued by a fishing boat off Naic, a town about 40 kilometers (25 miles) southwest of Manila, near the site of the collision.

Commander Samante said 453 people survived the collision between the 2,432-ton ferry and the 12,500-ton Kota Suria, a Singapore-registered freighter. Thirty-eight bodies have been recovered, and at least 107 people are missing and presumed drowned. An investigation of the accident launched Saturday has not yet determined which vessel had the right of way.

Luther H. Foster Jr., 81, who headed Tuskegee Institute for 28 years, died Nov. 27 of a heart attack in East Point, Georgia.

Irwin Kostal, 83, a Hollywood orchestrator and conductor who won Academy Awards for his work in "West Side Story" and "The Sound of Music," died Nov. 23 of a heart attack in Los Angeles.

William Tapley Bennett Jr., 77, a career diplomat who served as U.S. ambassador to the Dominican Republic during that country's 1965 civil war and who recommended U.S. intervention, died Tuesday in Washington after a long illness.

George Bell Timmerman Jr., 82, one of the South's last segregationist politicians, died Tuesday in Columbia, South Carolina, where he had served as governor from 1955 to 1959. He died of injuries suffered in an automobile accident on Sept. 4.

Comie Kay, 67, a drummer best known for his work with the Modern Jazz Quartet, died Wednesday of cardiac arrest at his home in New York.

Samia Gamal, 70, one of the leading belly dancers in the Arab world, died of cancer Thursday in Cairo.

Marshall Sprague, 85, a historian and journalist who wrote books about the American West, died Sept. 9 in Colorado Springs.

NOBODY KNOWS WHAT GOD IS

As our world continues to be torn apart by ancient religious doctrines and superstitions, intelligent people are increasingly questioning the role of religion in contemporary society.

Although there are those who believe in a "higher power" or "supreme force," they consider the many religious beliefs to be confined to the limitations of mankind's imagination.

Most religions insist their God is the only true God, but the probable fact is that no human being, considering the infancy of our evolution, can know what God really is — if indeed one exists at all.

If you would like to voice your opinion on God, the right and wrong of religion, or anything that's on your mind, write today to OPINION INTERNATIONAL and your letter may be published in one of the next issues. (If you want to be sure your letter will definitely be published, please include US\$12.50 ASSURED PUBLICATION FEE.)

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Bangladesh Boat Disaster
Agence France-Press

DHAKA, Bangladesh — At least 29 people were killed Sunday when a boat carrying more than 100 passengers crashed into another vessel and capsized on the Bolai River in northeastern Bangladesh, state television reported.

ORIENTAL CREDIT LIMITED (In Liquidation)

NOTICE OF BAR DATE FOR FILING CLAIMS AND PROCEDURE THEREFOR

NOTICE is hereby given that, pursuant to an Order of the High Court of Justice, Chancery Division, Companies Court the "Court" dated 21st November 1994, the Court has set 21 days from advertisement as the last date upon which claims may be filed (the "Bar Date") against ORIENTAL CREDIT LIMITED ("OCL") which is in liquidation proceedings in the Court under the English Companies Act 1985. All holders of claims of whatever character whether secured or unsecured, liquidated or unliquidated, fixed or contingent arising before 27th December 1989 must file them according to the procedures described below no later than the Bar Date in order to receive any distribution from the assets of OCL. IF YOU ARE REQUIRED TO FILE A CLAIM BUT DO NOT DO SO IN THE MANNER AND TIME PRESCRIBED, YOUR CLAIM WILL BE FOREVER BARRED. YOU WILL NOT BE ENTITLED TO ANY DISTRIBUTION ON THAT CLAIM, AND YOU WILL RECEIVE NO FURTHER NOTICES REGARDING YOUR CLAIM.

1. OCL'S BUSINESS — OCL carried on business as a bank and was engaged in providing a wide range of banking services.

2. PROCEDURES FOR FILING CLAIMS AND LATEST DATE FOR RECEIPT — All holders of claims must file a claim on the requisite Proof of Debt form only (copies of which are available on request from Touche Ross at the address and reference shown below). The Proof of Debt form must be received by no later than 5 pm on 21 days after date of advertisement, 2nd December 1994, at the following address:
Touche Ross & Co., PO Box 810, Cedric House, 8-9 East Harding Street, London EC4A 3AS.
Ref SES/HWM.

3. FURTHER INFORMATION — If you have any questions about this notice or the procedures for filing a claim, you may contact Touche Ross & Co. by mail or by telephone (during the hours of 10.00 am and 5.00 pm London, England time, Monday through Friday) at the following address and telephone number:
Touche Ross & Co., PO Box 810, Cedric House, 8-9 East Harding Street, London EC4A 3AS.
Ref SES/HWM. Telephone: 071 936 3000. (Contact: Mr. M. Brewer).

In this Tuesday's
Style

Newton
on
Newton

A photographer
back in fashion.

Herald INTERNATIONAL Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

THE EASIEST WAY TO
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RUBY SLIPPERS.

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Luxembourg	0060-121	Russia (all other)	8095-155-6133	Venezuela (English)	800-1111-0		
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صباحنا من الامم

BUSINESS

International Herald Tribune, Monday, December 5, 1994

Page 9

INTERNATIONAL MANAGER

Alfa Chief Plans to Profit From Mexico Phone Deal

By Anthony DePalma
New York Times Service

MONTERREY, Mexico — He had just pulled off the deal of the year, swiping a sweet \$1 billion joint venture with AT&T out from under his competitors' noses — and in the process reshaping the future of telecommunications in Mexico.

So how did Dionisio Garza Medina, 40, the chairman of the Alfa group and scion of one of Mexico's most prestigious business dynasties, celebrate his coup?

He wolfed down a turkey sandwich and a soda at the AT&T offices in Mexico City where the announcement was made before he boarded a private jet to Alfa's headquarters in Monterrey to get back to work.

Mr. Garza may come from an old-line industrial family, but he represents a new kind of Mexican executive.

Since becoming Alfa's chairman and chief executive in April, he has quickly recognized that global competition and open borders have changed the rules of Mexican business.

In his first few months in charge of the diverse conglomerate, he has cut corporate costs by 40 percent, taken two of the four divisions public and, most notably, signed the deal with AT&T to form a joint venture that is sure to get a big piece of Mexico's long-distance business in just over two years.

The right to provide long-distance service now belongs exclusively to Telefonos de Mexico, but its government-protected monopoly lasts only until 1997. Then the government will spread the business around, and Alfa and AT&T are certain to get a big chunk of it.

It may seem odd that Alfa would choose a company like Alfa, with no experience in telecommunications, but what it clearly wanted was a partner that knows Mexico well, that knows the regulatory ins and outs. Mr. Garza convinced AT&T that Alfa could offer exactly that.

"I think he is going to turn out to be one of Mexico's great entrepreneurs," said Timothy George, a friend of Mr. Garza's who is an investment banker at Morgan Stanley & Co. and who made the initial contacts between Alfa and AT&T.

Mr. Garza's rapid-fire moves have shaken up a company so battered by a brutal economic restructuring and family hardships — including a 1973 kidnapping that ended in the murder of a Garza patriarch — that it was in danger of losing its place as a force in the Mexican economy.

"When I took over, there was a feeling that Alfa had to do something," Mr. Garza said.

When the government privatized Telefonos de Mexico in 1990, the board of Alfa considered bidding for it. But recalling the disastrous growth of the 70s, the members decided it would be wiser to complete a restructuring and invest any available cash in its core companies.

Global competition and open borders have changed the rules of Mexican business.

GATT Opens Doors to New Issues

Despite Accord, Trade Issues May Only Get Tougher

By David E. Sanger
New York Times Service

WASHINGTON — The enormous global trade agreement approved by Congress this week does not mean an end to trade conflicts, economists and administration officials say.

If anything, the biggest trade accord in two generations will clear the way for new struggles over a different breed of trade barriers, which may be more daunting than those it resolved.

The 22,000-page General Agreement on Tariffs and Trade dealt with many of the sensitive political issues facing the international trading system, including the gradual reduction of tariffs on agricultural products and the protection of intellectual property rights, such as copyrights and patents.

But the conflicts the Clinton administration and others see ahead will involve a new generation of issues that mirror many of the foreign policy problems facing the United States today. Those issues include how countries act within their borders on labor conditions, environmental standards and human rights,

rather than simply how they interact with other states.

These were some of the most emotional matters brought up by GATT opponents in the debate that preceded Thursday's Senate vote. But many of the targets of these complaints, such as China and Indonesia, have already told Washington that they consider these questions to be none of its business.

All of those issues are outside of GATT, and many think they should stay that way.

Talks already have begun on another set of issues that were left over when the GATT negotiations ended, including the movement of "cultural" products, such as movies, across national borders and the opening of markets to foreign insurance companies, securities firms and banks.

Those are also the subject of several bilateral negotiations, particularly between the United States and Japan.

These new issues are likely to be played out in new forums. For many reasons, this GATT, in fact, may be the last sweeping global agreement of its kind. No one is eager to slog through another 12 years of talks with such an

array of players, each with radically different interests.

During the recent debate, members of Congress repeatedly expressed frustration that the expansion of the GATT was so vast, and its effects so unpredictable, that one of the experts and lobbyists who descended on Capitol Hill could come up with believable estimates of how much the American economy would benefit, or how many American workers would lose their jobs because of increased imports.

"In the end, most everyone voted on an emotion about free trade," one U.S. official said Friday. "No one wanted to look like an economic Neanderthal."

To make the next set of agreements easier to negotiate and more understandable, many think the drive to liberalize commerce will continue largely on a regional basis, through accords in Asia, the Americas and Europe.

China Attacks U.S. on GATT

China said Sunday it would probably be unable to rejoin GATT this year because of opposition from the United States. See GATT, Page 11

EU Airlines Try Balancing Costs And Open Skies

By Barry James
International Herald Tribune

PARIS — The problems faced by the state-owned Iberia Air Lines of Spain illustrate the crisis of an industry attempting to cope with a history of overstaffing and high costs, while facing a deadline for full deregulation within the European Union.

In a job-cutting and pay-slashing deal still being negotiated by its pilots, Iberia's management is seeking to create conditions for the European Union to authorize a 130 billion peseta (\$1 billion) state bailout.

European airlines have until April 1, 1997, to prepare for an open-skies policy that will permit any EU airline to operate anywhere in the Union with few restrictions.

Established airlines have held on to most of their airport slots, impeding the efforts of smaller airlines to open new routes. The battle for landing rights at Orly Airport near Paris, where several independent airlines have challenged the monopoly of Air France and its Air Inter subsidiary, illustrates the overcapacity at several European airports.

Overstretched air traffic control resources have also discouraged the growth of a deregulated market.

Under current deregulation rules, European airlines have limited cabotage rights. British Airways, for example, can fly from London to Lyoo and pick up passengers in Paris, provided that these do not exceed 50 percent of seat capacity on the route. But in 1997, airlines will obtain full cabotage rights, which means that British Airways will be able, if it wishes, to set up domestic operations in

last month adopted new guidelines for aid in the aviation sector, which state that an airline can receive aid only once as part of a strict restructuring program that excludes the right to increase capacity to the detriment of rival carriers. Companies that have received aid already "need not come knocking at the door again," said the EU's competition chief, Karel Van Miert.

Whether the guidelines apply retroactively to Iberia may end up being tested in court. British Airways, which is challenging the Air France subsidy in the European Court, said it was watching the Iberia situation carefully.

"The reason that Iberia and Air France and Olympic are in trouble is because their structure was built for a protected market," said Karel Van Miert.

Kidder to Close Tokyo Office as Part of Sale by GE

TOKYO — Kidder, Peabody & Co. will announce Monday that it is closing its Tokyo branch and laying off about 140 employees, the Nihon Keizai newspaper reported.

The U.S. brokerage, a unit of General Electric Co., is being sold to PaineWebber Group Inc. for \$670 million of stock. PaineWebber said last week it would keep Kidder's offices in Zurich and Geneva but would close its office in Paris.

More than 2,000 Kidder employees are expected to lose their jobs because of the sale, the newspaper reported Saturday, but PaineWebber said it had recently hired 140 Kidder employees.

Zambia Liquidates Its National Airline

LUSAKA, Zambia — Debt-ridden Zambia Airways has been liquidated and its 1,300 workers dismissed, the nation's vice president, Godfrey Miyanda, announced Saturday.

Mr. Miyanda said it would have cost \$100 million or more to rescue the carrier. International donors had threatened to withhold \$160 million in aid for Zambia's balance of payments if the government attempted such a rescue.

EU to Enshrine Wide Currency Bands

BRUSSELS — European Union finance ministers Monday are expected to declare the current wide fluctuation bands of its exchange-rate mechanism to be the new norm, as the EU's single currency plans are revived 16 months after being all but declared dead.

The language is very convoluted, but the end result is effectively declaring the current bands normal, an EU source said.

The source was referring to a document the officials will discuss over lunch at a meeting mainly dedicated to looking at the state of the economy, fighting unemployment and finding funds for 14 major road and rail projects.

Finance ministers have until the end of the year to decide whether to retain the guidelines that allow currencies in the European Monetary System to fluctuate as much as 15 percent above or below a central rate.

The ministers temporarily widened the fluctuation band, which had been 2.25 percent, in August 1993 to try to preserve a system that had come under heavy speculative attack.

The decision on whether to declare the 15 percent bands normal is the key to whether the door to creating a single currency at the start of 1997 is to be left open. Under the Maastricht Treaty, a currency must have been inside its so-called normal bands for at least two years to qualify that country to join in the single European currency.

A declaration of normality would have no immediate impact on the currencies in the grid, which are the Deutsche mark, the guilder, the Irish punt, Danish kroner, the French franc, the peseta and the escudo.

But it would be highly symbolic of the EU's revitalized intention to press ahead with its plans to create a single currency either in 1997 or by 1999 — an idea many thought was dead less when the exchange-rate mechanism collapsed last year.

The ministers at the meeting also will try to decide how to fund the 14 multimillion-dollar road and rail proposals put forth by the European Commission.

A group chaired by Henning Christophersen, the commissioner for economic and financial affairs, has said that financing for only five of the 14 projects is in place or close to it.

The group, with the exception of Britain, agreed that all funding options should be left open.

The British representative refused to agree to any new forms of support. "That is our position. We are not alone," a British diplomat said.

Taipei Notebook

Stock Scandal Just a Diversion

No strangers to shenanigans, Taiwan's stock market players are carefully monitoring a special investigation into one of the country's biggest speculators and a powerful legislator, James Ouyang Te-ming.

Mr. Ouyang and a few colleagues find themselves at the center of a scandal over a series of stock defaults that knocked the highly speculative market down from four-year highs in early October.

The authorities are trying to determine whether Mr. Ouyang played a role in the meteoric and inexplicable rise of locally listed Imperial Hotel shares and 3.4 billion Taiwan dollars (\$130 million) in defaults that paralyzed the market when big speculators in the stock couldn't meet their margin calls.

It is not Mr. Ouyang's first time in the limelight, but judging from small investors' reactions to the case and other market controversies, they are not too worried if it isn't the last.

"The punters love the so-called 'big hands,'" said the head of a foreign brokerage in Taipei, referring to the major stock players who contribute much to the local exchange's notorious volatility and huge daily turnover — \$2.08 billion on Friday, which was moderate.

"The big hands' moves create the speculative action, and naturally everyone thinks they've got the inside track on information," the broker said of a market where at least 80 percent of turnover is attributed to small investors. "Of course, that's exactly what the big speculators want them to think."

In the case of Imperial Hotel, its shares started the year at 78 Taiwan dollars and soared to 402 in August before shrinking to 53.50 at Friday's close.

Election Raises Media's Profile

Islandwide elections held Saturday brought to a climax the debate over the role of Taiwan's three commercial television stations in a more democratic society.

A legacy of the days when Chiang Kai-shek's Nationalist Party ruled with no opposition, one station is controlled by the Taiwan provincial government, another by the armed forces and a third by a commercial arm of the Nationalist Party, or Kuomintang.

Members of the opposition parties have cried foul over perceived bias against their candidates and turned to underground radio stations and pirate television broadcasts to get their message out.

Sensitive to criticism of the Kuomintang's control of the mainstream media, the central government is allowing more radio stations to be licensed and expects to open bidding for a fourth commercial television broadcaster.

For some in the industry, change can't come soon enough.

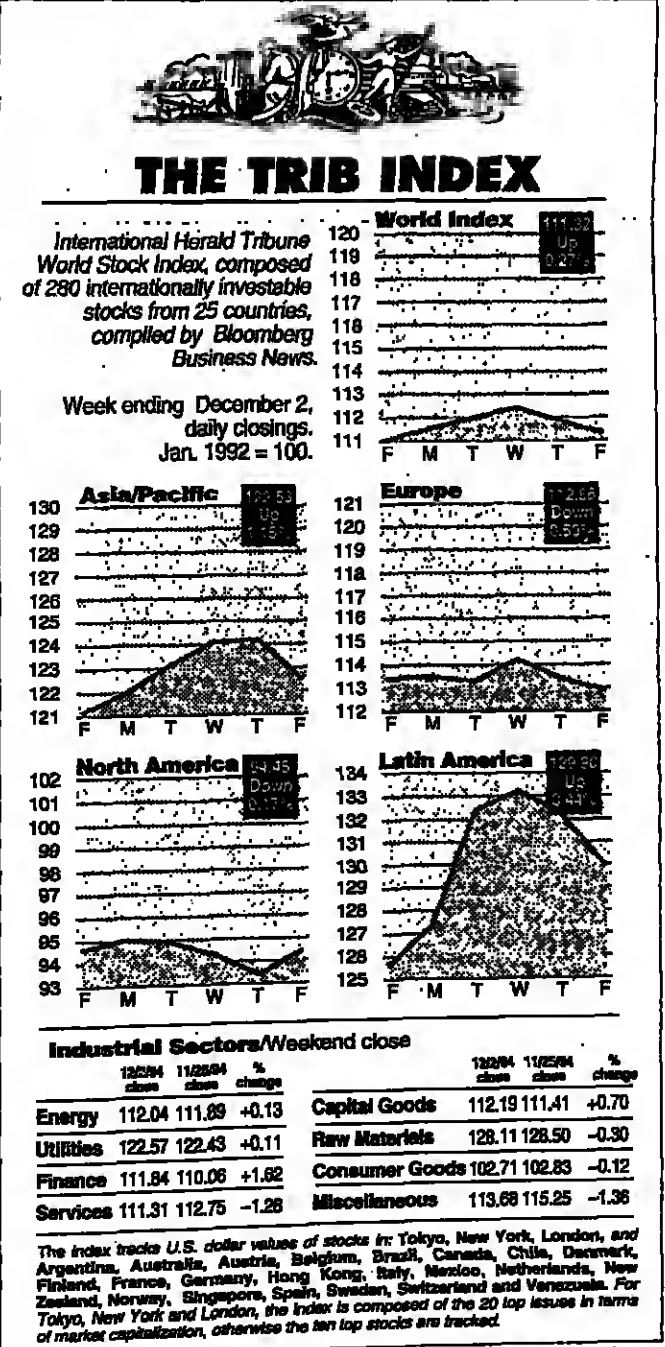
Taiwan Television Enterprise has borne the brunt of campaign criticism. One of its leading news reporters went on a hunger strike over its decision not to broadcast an impressive opposition open-air rally.

But the station also was attacked by the Nationalists, whose party runs the government that controls TTV.

Unhappy with a controversial report, a rowdy demonstration arrived at TTV headquarters vowing to pummel the building with 10,000 eggs until Chuang Cheng-yen, the general manager, apologized to them.

"I was happier working in the sport department," said the news department manager, Liao Tsang-sung, of the new operating environment, according to local newspaper reports.

Kevin Murphy



CURRENCY RATES

Dec. 1

Cross Rates

	\$	D.M.	F.F.	Lira	Y.P.	S.F.	S.F.	Yen	Cs	Pesos
Australian dollar	1.00	2.25	1.18	13.24	3.092	—	5.463	1.324	1.28	1.32
British pound	0.49	25.65	25.65	5.98	2.842	—	5.435	0.29	23.5	24.3
Canadian dollar	1.00	—	—	0.97	1.00	—	1.00	1.00	1.00	1.00
French franc	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
German mark	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
Italian lira	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
Japanese yen	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
South African rand	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
Swiss franc	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
Taiwan dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
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U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
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U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
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U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
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U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
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U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	1.00
U.S. dollar	1.00	—	—	1.00	—	—	1.00	1.00	1.00	

GATT: Global Trade Agreement Doesn't Mean It's Now Smooth Sailing

Continued from Page 9
States, Agence France-Presse reported from Beijing.
In an article in the China Daily's Business Weekly, a researcher in the Foreign Trade and Economic Cooperation Ministry, Yu Peiwei, said, "The U.S. fears that a rapidly grow-

ing Chinese economy would enable China to join hands some day with developing countries to pose a threat to the U.S. dominant status in the world economy."
That was why the United States was asking the impossible from China on the question of GATT, he said.

"The real purpose of the U.S. is to pry open China's financial, insurance, telecommunications, transports and other service markets."
The sectors where the United States requires the most from the Chinese are those where it is powerful, such as automobiles and services, said Mr. Yu, an

economist in the ministry.
China was a founding member of GATT but quit in 1950 after the Communists came to power. It asked for readmission in 1986 and would like to rejoin this year so it can be part of the creation of the World Trade Organization, which will replace GATT on Jan. 1.

RALLY: Bond Markets Finally Gain Ground, a Year After the Forecast

Continued from Page 8
nical conditions are good for both the dollar and dollar bonds, but there's been no change in the fundamental outlook for further weakness," he says.

Neil MacKinnon at Citibank in London argues that "we're witnessing a cyclical recovery of the dollar rather than a structural recovery. There's no doubt that current direction of the dollar is up — it could reach 1.65 DM much sooner than the market currently thinks, possibly by March."

But by then, he says, rising German interest rates will cause the dollar to retreat.

The current rally in the U.S. currency and bond markets is based on the conviction that the Federal Reserve Board will follow last month's aggressive three-quarter percentage point rise (or 75 basis points) with another increase, possibly at its

Dec. 20 meeting or at the latest at its Feb. 1 meeting.
The continuing strength shown in the latest economic reports has eliminated any doubt about the Fed's next move. This was shown by the dramatic rise in the yield of the three-month Eurodollar futures contract, up 45 basis points to 7.15 percent for March and 8.2 percent for December 1995. Three-month deposits currently fetch 6.4 percent.

Although there was some question about how much of this change might have reflected forced liquidation of losing positions in the derivatives market, analysts agreed that the futures market now fully discounted a big Fed increase in short-term rates.

The fact that long-term U.S. bond yields were virtually unchanged on the week shows that bondholders are convinced that the anticipated Fed increases will keep inflation tamed.

"Inflation expectations have clearly diminished as a result of perceived aggressive action from the Fed in the first half of next year," says Bob Tiley at Paribas Capital Markets in London.

It is those diminished fears about inflation that now pose the greatest risk. "Deteriorating inflation performance represents the principal risk for bond markets," says John Lipsky at Salomon Brothers Inc. in New York, who says he believes core inflation is likely to edge higher. In his view, "it would be premature to conclude that upward pressures on bond yields have abated."

Against that background, the dollar is especially vulnerable to changes in German interest rates. There is a raging debate about whether Germany will hold rates stable through the end of next year, whether it will cut rates early in the new year

and then begin raising them by autumn, or whether it will start raising rates in the opening months of 1995.

But with the dollar on the rise and the market interest rates reflecting anticipated rises in short-term levels, there has been a flurry to buy dollar paper on the international capital market. New fixed-coupon issues amounting to \$3.6 billion were launched last week, of which all but \$1 billion mature in less than five years. Investors have little incentive to buy longer-dated paper because the yield curve on benchmark U.S. government paper is unusually flat: 7.7 percent at five years, 7.8 at 10 years and 7.91 percent at 30 years.

Although issuance of dollar paper is expected to remain heavy, the main focus this week is expected to be a jumbo 2.5 billion DM, five-year issue from Spain.

Taiwan's Markets Prepare for Rally After 'Stability' Vote

Compiled by Our Staff From Dispatches

TAIPEI — The victory by the governing Nationalist Party in historic elections Saturday was an endorsement of political stability that is likely to give a boost to Taiwan's economy, business leaders said Sunday.

"The result is a triumph for stability, and that in turn should be good for business and the economy," said David Yu, manager of the Taipei Fund and vice president of National Investment Trust Co.

"This was a stabilizing election at home and in cross-strait ties," said James Robinson, a professor of the University of West Florida, who was in Taipei to observe the vote.

The strong showing by the Nationalists should propel a rally in share prices, analysts said. The market bullishness would be underpinned by Taiwan's good economic fundamentals, they said. The Taiwan dollar, which closed at 26.29 to the U.S. dollar, is also expected to strengthen.

The Nationalist Party, a huge corporate force that owns more than 100 companies, was the business leaders' favorite in Taiwan because of its close contacts with the island's powerful conglomerates, analysts said.

"The ruling party won the governor's race, and this will likely trigger a short rally for celebration led by the Big Three provincial banks this week," said Ben Chen, managing director of Barclays de Zoete Wedd. The Big Three banks are the First Commercial Bank, Hua Nan Commercial Bank Ltd. and Chang Hwa Commercial Bank Ltd.

"It's the best result we could have had, a modest change mixed with people's wish for stability and innovation," said Daniel Chen, chief economist of Chinatrust Commercial Bank, Taiwan's largest private bank.

(Bloomberg, Reuters)

CONFERENCES, COURSES AND EXHIBITIONS

DEC 15 (6 p.m. to 8 p.m.)	FEB. 25-28, 1995
Hotel Concordia Paris Beach 2 Promenade de la Plage 1300 Marseille U.S. & Foreign Commercial Service (Marseille Delegation) cordially invites you to THE U.S. / FRANCE TAX AND FINANCIAL PLANNING SEMINAR for U.S. and French business leaders to learn about tax laws, financial planning, and investment opportunities in each other's markets. * Non-U.S. members are free * A.S.C. is meeting in U.S. and France * Participation: \$75 per person (U.S. \$140 in U.S.) * Registration: Phone: (1) 41 93 91 97 Fax: (1) 41 93 91 32 * If calling from outside France, replace "41" by "33"	Africa Trade & Investment Conference To take place in Libreville, Gabon, this high-level conference will bring together business and industry leaders from the whole of Africa, Asia, Europe and the Americas along with African government and business leaders to discuss trade & investment opportunities in Africa. Key topics include investment climate, sources of finance, Africa's stock markets and special industries. Contact: Barbara Hayward USA Tel.: (202) 862-9975 USA Fax: (202) 862-9956
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BANK: After a Tough Year, Deutsche Bank Looks Ahead to Better Times

Continued from Page 1

sured by \$350 billion of total assets, or an estimated \$13 billion of hidden reserves — is not in doubt, but repairing the damage to its reputation could be complicated by the following problems:

• The bank's profit growth is being held back this year by poor trading results and the overhang of huge loan write-offs. Most estimates call for unchanged or even lower 1994 earnings.

• The bank has been embarrassed by unprecedented criticism from shareholders and other banks over its handling of the near bankruptcy of Metallgesellschaft and the collapse of the Jürgen Schneider real estate empire. The Deutsche Bank board member who chairs the Metallgesellschaft supervisory board, Ronald Schmitz, has raised eyebrows by plunging into an unusually emotional and public debate with such critics as Professor Merton Miller, the Nobel Prize-winning economist.

• Politicians close to Chancellor Helmut Kohl are said to be angered by Deutsche Bank's threat to challenge in court any law that would force it to reduce its equity stakes in industrial companies and by the bank's recently announced plan to shift its investment banking activities from Frankfurt to London.

• Analysts complain about insufficient financial disclosure and say that Deutsche Bank's return on equity is unimpressive when compared with big U.S. banks.

• Looking to the future, critics say that despite profitable acquisitions of retail bank businesses in Italy and Spain, Deutsche Bank's overall strategy looks unimaginative, if stolid.

The bank's response has been to come out of its corner attacking what it calls a "political threat to 'expropriate' its controversial industrial shareholdings, to admit that there were management lapses which caused the Schneider loan losses, and to launch a costly advertising campaign aimed at restoring its standing with the German public.

Yet, some analysts and leading figures in the Frankfurt financial community say they detect something of a "bunker mentality" at Deutsche Bank.

"They've turned full circle," said Derek Bulman, a banking analyst at James Capel in Lon-

don. "Having been insensitive in the past to criticism they are now perhaps too sensitive."

"There seem to be some credit control weaknesses, and I think Deutsche Bank would admit that," Mr. Grant said. "I think the bank has had a closer look at itself, has been stopped a bit in its tracks, and has had to reassess its internal controls," he added.

An executive at a rival British bank, speaking on condition he

The bank's financial strength is not in doubt, but repairing the damage to its reputation could be complicated.

not be named, called Deutsche Bank "a formidable institution." But he added that the bank "is not as well managed as it likes to pretend."

The view from the Deutsche Bank boardroom is obviously different from the outside perspective. During an interview in Munich last week, Rolf-Ernst Breuer, one of the 12 board members, offered a defense of the bank.

Mr. Breuer declined to make any profit forecasts, but he acknowledged that earnings from trading in foreign exchange, derivatives, bonds and other securities had suffered "a very substantial decline."

Analysts expect Deutsche Bank's 1994 pretax profit to decline slightly from last year's 4.6 billion Deutsche marks (\$3 billion). Net income is expected to fall from 2.2 billion DM in 1993 to less than 2.0 billion DM.

Loan loss provisions, including a previously announced 473 million DM charge for the collapse of the Schneider business, will be lower than the 3.3 billion DM recorded in 1993, but probably still above 2.0 billion DM.

But the bank's return on equity, which was 12 percent last year, is considered to be poor by most analysts when compared with banks of comparable size in the United States though similar to that of other German banks.

Perhaps even more striking is the degree to which Deutsche Bank is depending on earnings from its Italian bank subsidiary and from its Luxembourg operations to offset what looks like being a lackluster interest and commission income performance in Germany.

Mr. Breuer, 57, defended the way Metallgesellschaft handled

an oil futures contract in New York that brought the company to the brink of bankruptcy early this year. He denied the assertion by Professor Miller and other critics that the huge losses at Metallgesellschaft need not have occurred, claiming that the company was "technically insolvent" and needed a rescue.

When asked to respond to the complaint from other European banks that Deutsche Bank displayed arrogance in pushing

national investment banking operations with its Morgan Grenfell subsidiary in London.

Politicians were upset because it was Mr. Breuer — as president of the Frankfurt Stock Exchange's operating company — who backed Mr. Kohl's drive to create a European financial center in Frankfurt.

He said he had not betrayed Frankfurt "because I never suggested that Germany should be the place where international securities should be traded."

But he acknowledged that it would take three to five years before Deutsche Bank could hope to compete with investment banks such as Merrill Lynch & Co. or Goldman Sachs & Co.

Deutsche Bank's future strategy, meanwhile, would involve seeking to retain market share at home in retail and corporate banking, limiting other European retail banking business to Italy and Spain, and trying to develop capital markets business through Europe.

Analysts acknowledge that Deutsche Bank's future strategy seems solid enough but rather unexciting. Some say that given the problems of 1994, Deutsche Bank will remain under close scrutiny for many months. One analyst said Deutsche Bank's woes could eventually prove to be helpful to the bank because "they have been living in an ivory tower for much too long."

But the Deutsche Bank director seemed certain that he could forecast political and judicial events in Germany, saying he considered new legislation unlikely to be passed despite calls from leading politicians in all parties for a law to limit bank equity stakes in industrial companies.

Mr. Breuer also responded to criticism from politicians in Bonn at Deutsche Bank's recent decision to consolidate its inter-

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SKIES: Airlines' Balancing Act

Continued from Page 9

France in direct competition with Air France.

British Airways has shares in regional subsidiaries in France and Germany, and it is likely to expand into fully owned subsidiaries once full deregulation is effect.

Analysts said that given the current overcapacity in Europe, state-owned carriers will have no choice but to cut costs and staff heavily as deregulation approaches.

But analysts said that even these reductions still may not be enough to absorb overcapacity in the European market. British Airways, which reduced staff to about 30,000 from more than 50,000, is one of the few carriers to reap the benefits of a determined cost-cutting program over many years.

The bright spot on the horizon

is increasing passenger traffic and revenue as Europe moves out of recession.

After a cost-cutting program, Lufthansa announced a return to profitability for the first six months of this year, and Air France says it expects to be profitable in 1995. But most of the state carriers are carrying a heavy debt load — about 36 billion francs (\$6.5 billion) for Air France and an estimated 400 billion pesetas in the case of Iberia.

The improved financial situation in Europe reflects the global picture, where airlines stand likely to earn \$1 billion on scheduled international routes after piling up losses of \$15.6 billion in four straight years of losses. But \$1 billion still is less than 1 percent of earnings and is considered insufficient for steady recovery.

Credito Italiano in Position to Claim Romagnolo

Continued from Page 9

MILAN — Credito Italiano SpA looks set to emerge victorious from a protracted battle for control of Credito Romagnolo SpA, which would create the second-largest bank in Italy.

Credito Romagnolo's board accepted a sweetened deal from Credito Italiano, which will cost Italian francs 3.1 trillion (\$1.9 billion). Credito Italiano's improved offer raised the price per share to 20,000 lire from an original 19,000 lire and committed it to buy up to 65 percent of Romagnolo's stock, up from 48.2 percent.

"The important thing is that it was accepted by the entire board," a Credito Italiano spokesman said. "It is a friendly offer."

Romagnolo's board described the new offer as "more

in line with the interests of the Romagnolo group and its shareholders than that announced on Oct. 26 and as such likely to receive a different judgment."

Italiano now awaits approval for the move, which would be the largest-ever bank takeover on the Milan bourse, from the Bank of Italy, which is expected to consider it Monday.

Romagnolo further indicated its intent by dropping plans to merge with a local savings bank, Cassa di Risparmio di Bologna. Romagnolo made the plan as a so-called poison pill to fend off Italiano's initial offer.

Credito Italiano said it would stand by guarantees on Romagnolo's autonomy made last week in a first attempt to soften up its reluctant bid target.

Credito Italiano committed

itself to changing Romagnolo's statutes requiring the approval of 80 percent of shareholders for any merger attempted before the end of 1998.

Italiano also guaranteed that dividend payouts would not be less than 55 percent of profits until 1997 and said minority shareholders will have representation on the board.

Romagnolo said, "the com-

mitment which Credito has declared it wants to make with regard to autonomy," was a further factor in making the bid more acceptable.

Credito Italiano stands to benefit from the deal, analysts said, because it will gain the opportunity to extend its activities in the small- and medium-sized business sector and give it a strong client base in the wealthy Bologna area of Italy.

The New York Times Co. Regains Electronic Rights

New York Times Service

NEW YORK — The New York Times Co. regained significant control over electronic rights to the contents of its flagship newspaper through an agreement with the British-Dutch publishing giant Reed Elsevier PLC.

The 10-year accord, which stems from Reed Elsevier's acquisition of Mead Data Central and the Lexis/Nexis on-line computer service, frees Times Co. to use the contents of the daily newspaper in a variety of new types of electronic services for consumers.

Lexis/Nexis will continue to have electronic rights to distribute articles from The New York Times, but eventually much of its exclusivity will lapse. Reed Elsevier will then retain exclusive rights only in electronic services distributed to professionals in the field of law.

S&P May Cut County's Debt Rating

NEW YORK (Combined Dispatches) — In response to potential losses of \$1.5 billion in the investment fund of Orange County, California, the credit-rating concern Standard & Poor's Corp. said it might lower the county's debt rating.

The county's fund is facing the loss because of an aggressive but risky investment strategy that included heavy borrowing and the use of derivatives, which are financial instruments that derive their prices from those of other securities or commodities.

The Securities and Exchange Commission plans to pursue civil charges against Bankers Trust New York Corp. in connection with its sale of derivatives to some corporate clients, people familiar with the situation said.

Kazarian Renews Quest for Borden

COLUMBUS, Ohio (Bloomberg) — Paul Kazarian has asked to meet with the board of Borden Inc. on Tuesday to discuss "modifications" of his bid for a minority stake in the food and dairy company.

In a letter to Frank Tasco, chairman of the company, Mr. Kazarian asked that Borden bring as many directors as possible together with major shareholders and Wall Street analysts to meet after the market closes Tuesday.

Mr. Kazarian offered last week to pay \$430 million, or \$17 a share, for 20 percent of Borden's stock. The offer rivals a pending \$1 billion tender by Kohlberg, Kravis, Roberts & Co. for all of Borden's shares. That offer, set to expire Dec. 20, would swing \$14.25 of shares in RJR Nabisco Holdings Corp. for each Borden share. Borden's shares closed Friday unchanged at \$13.875.

Peugeot Signs Deal in South Africa

JOHANNESBURG (AFP) — PSA Peugeot Citroen SA's Peugeot division said Sunday it had signed a distribution agreement with McCarthy Motor Holdings that would return the French carmaker to South Africa after nearly a decade.

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SPONSORED SECTION

SPONSORED SECTION

HUNGARY



The outlook is sunny in Buda and Pest on either side of the Danube. Hungary's Socialist-led government, which came to power last July, is successfully reducing unemployment and inflation and producing growth, thanks to its consistent economic realism.



SUBAN MOLEY KINCADE

FACTS AND FIGURES

Area: 101,328 sq. km. Population: 10,332,722. Capital: Budapest. Official languages: Hungarian. Government: Socialist Republic. President: János Árkai. Prime Minister: Gyula Horn. Foreign Minister: János Árkai. Defense Minister: János Árkai. Economy: Market economy. GDP: \$112.5 billion. Unemployment: 15.5 percent. Inflation: 100 percent. Life expectancy: 74 years. Literacy: 99 percent.

'TURNAROUND YEAR' ENDS WITH MODEST GROWTH

Hungary's new Socialist-led government offers its European neighbors a lesson in adopting hard measures to set its economy on the right course.

Fifty-two national delegations and 1,000 journalists will attend the summit of the Conference on Security and Cooperation in Europe (CSCE) in Budapest in early December. The host country will offer these visitors an instructive lesson on how adopting hard measures can pay off in fundamental gains.

"No one ever said or thought that consistency was going to be easy," says László Pal, Hungary's minister of industry and trade. "But we have always known that adhering to certain policy guidelines, no matter how difficult, was the only way to effect a true transformation of Hungary's economy."

In Hungary, as in much of Central and Eastern Europe, the first "turnaround year" is nearing its end. Over the last 11 months, the fruits of this consistency have been increasingly manifesting themselves in the country's current economic indicators.

In early 1994, Hungary firmly (if modestly) entered the growth column, and the year's expansion in GDP is now forecast at somewhere between 1 percent and 2 percent, in line with regional averages. Germany's Manager Magazine is predicting 3 percent to 4 percent GDP growth in Hungary in 1995.

Industry leads the way. In a real switch, the country's industrial sector, until recently a problem child, is now serving as the economy's locomotive. German experts have forecast a surge-

ing 10 percent rise in Hungary's 1994 industrial output — a regional best. The Hungarians themselves are more cautious, putting the figure at about 8 percent. Gradually, the highest rates of growth are being recorded in such advanced industrial sectors as telecommunications (up 55 percent), elec-

tronics-based equipment (up 31 percent) and computers and office machines (up 21 percent).

Several Central and Eastern European countries have managed the difficult and painful job of reorienting their export flows from east to west. Hungary has accomplished this better than most. Led by a 17 percent jump in international sales of industrial products, exports to the EU are running 26 percent higher in 1994. Trade with the EU now accounts for a solid 50 percent of the country's international business, which itself is up nearly 9 percent in 1994, helping to diminish the

Continued on page 15

52 NATIONS COME TO TOWN

Budapest will come almost to a halt on Dec. 5 and 6, when the summit meeting of the Conference on Security and Cooperation in Europe (CSCE) takes place. This is a 53-member European security organization encompassing most European states as well as the United States and Canada. It has no real power and no

military force at its command, but part of its importance lies in the fact that it is the only major security organization of which Russia is a member.

In addition to delegations from 52 member countries (the former Yugoslavia, although a member, is not taking part in the conference), another

50 observer nations are expected. Delegations from member states have been in Budapest preparing for the summit since Oct. 10.

Traffic will be heavy in Budapest as each delegation will have a motorcade to take it to and from the meeting. The city's mayor, Gabor Demszky, has declared a school holiday.

MAGYAR NEMZETI BANK

NATIONAL BANK OF HUNGARY

70 YEARS

In Europe, nations are preparing for a well-considered transfer of part of their sovereignty in economics, politics, legislation and security. In contrast, four of Hungary's neighbors have established over the past two or three years their independent currencies and national banks, i.e. the instruments and, perhaps, symbols of economic sovereignty.

National versus supranational frameworks, history versus the present: seemingly unprecedented challenges. Or are they indeed? Some 70 years ago, new nation states and (as we now know) states span with a finite life emerged out of the collapse following World War I: it was 70 years ago that the Central Bank of the newly sovereign Hungarian state, one of the key institutions of the Hungarian economic stabilization of that era, was established. It was a period when the central banks of a number of countries in the region were established or reestablished. It is no accident that the dissolution of the Austro-Hungarian monarchy, the coming into being of the Independent Hungarian, Czech, Polish, Austrian, and other financial systems, the analysis of hyperinflation and attempts at stabilization have been so high on the agenda of economic historians.

Today's decision-makers, however, cannot go back in time and cannot arbitrarily choose the institutional frameworks for decisions. We have to make our decisions here and now. Trends, new ideas and changing conditions affecting the banking system and, within it, the Central Bank, constitute challenges for all of those responsible for rebuilding the financial sector in the transition countries of Central and Eastern Europe.

In the four decades following the nationalization of banks and the dismantling of the two-tier banking system in 1948, the National Bank of Hungary, like all other institutions of the economy, was subject to other institutions and party control. The two-tier banking system was reestablished in 1987, and gradually the Central Bank was diverted from its commercial banking functions. The change of the political system in 1990 made it possible to accelerate the move to a market economy, which included establishing the role of the Central Bank according to the standards of developed economies.

Under the act dealing with the National Bank of Hungary enacted in 1991, the bank is granted autonomy in formulating and implementing monetary policy, and is required to report to parliament. Its president and deputy presidents are appointed by the head of state for fixed terms of six years and three years respectively. Strict legal stipulations govern the role of the bank in financing the deficit of the central budget: the bank in financing the deficit of the planned direct financing cannot exceed 3 percent of the planned annual revenue of the budget in any one year. Additional demands for budget financing have to be satisfied from the money market, by issuing government securities.

The National Bank of Hungary is the sovereign borrower for the country, with a traditionally impeccable debt record. Despite the challenges brought by the transition and the restructuring of the economy, smooth external financing was ensured for the country's economy by tapping international capital markets. The National Bank has been an issuer of bonds in German, Japanese, Austrian, British and U.S. markets, maintaining a safe stock of reserves of foreign exchange, which now amounts to about seven months worth of imports.

The Hungarian government has been pursuing a liberal licensing policy toward those applying for banking licenses over the past years. Currently there are over 40 banks operating in the country, half of them fully or partly owned by non-residents. The banking law enacted in 1991 in parallel with the National Bank act provides an up-to-date legal environment for banking activities. The basic markets have been created: the interbank money market, the primary and secondary securities markets, the interbank foreign exchange market (spots and futures) and the commodity exchanges.

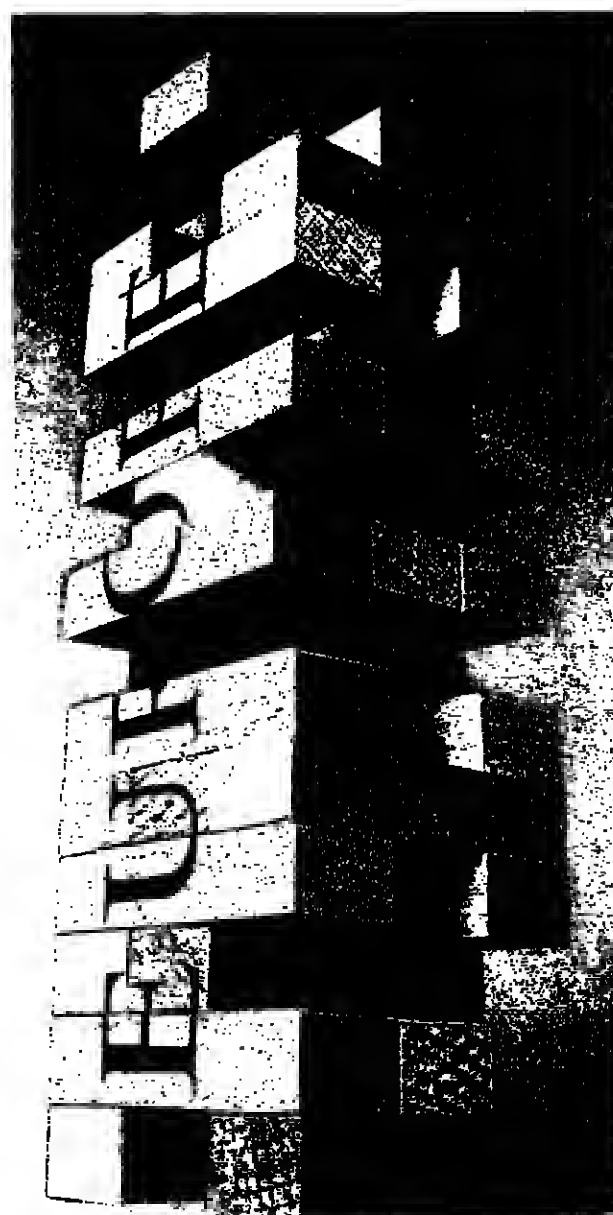
The National Bank of Hungary is still the foreign exchange authority, although foreign exchange management has been widely liberalized and decentralized. Commercial banks are free to borrow from abroad, while corporations may do so upon obtaining authorization from the Central Bank, which has been liberally granted.

During these years of transition, inflation was kept under control in Hungary, partly as a result of an appropriate monetary policy. The increase in the consumer price index reached its peak at 35 percent in 1991, and inflation has moderated since then while remaining in the range of 20-25 percent. Bringing inflation down remains a top priority for the National Bank in the years ahead, as the transition problems are slow in being solved. Still, confidence by foreign investors is clearly indicated by the dynamic inflow of foreign capital.

The lessons from the 70-year history of the National Bank reinforce a strong commitment to strictly adhere to a sound monetary policy in order to foster a stable environment conducive to sustained economic growth. The challenges of steering the country toward a modern market economy and of meeting the requirements of a modern financial sector are indeed formidable. We are well aware that for us to join the Euro-pean Union we cannot duck these challenges. We are determined to put Hungary firmly on the road to Europe, and in this endeavor we are counting on the support of the community of the developed countries, as we are convinced that the success of this transition will bring fruits for them as well.

HUNGARY — PART OF EUROPE'S PAST, PRESENT AND FUTURE

- * Contributing to Europe's culture and tradition for a thousand years
- * Pioneering the progress of European political activities
- * Producing world famous Nobel prize winners
- * Preserving firm political stability
- * Approaching market economy
- * Updating and privatising industry and agriculture
- * Exporting world famous products: software, salami, Ikarus buses...
- * Receiving dominant share of the region's foreign investment
- * Forming a bridgehead to Eastern Europe
- * Closely associating with the EU, EFTA and the Visegrád countries
- * Providing splendid tourist destinations
- * Catching up with European standard of living and economic development



OUR HERITAGE IS THE URGE TO CREATE

H U N G A R Y

HARD ECONOMIC BATTLES HAVE BEEN FOUGHT, SAYS MINISTER

László Pál has been Hungary's minister of industry and trade since July 1994. Born in 1942, Mr. Pál has degrees in energy engineering and industrial management, and has worked as a development engineer in various research and public-sector bodies. In 1990, he was elected to Hungary's parliament. In the following interview, he explains the government's economic priorities.

Many international observers waver between optimism and pessimism when evaluating the performance of your country's economy. What is your government's assessment of the economic outlook for Hungary?

First and foremost, there's been no wavering from the Hungarian end. Both this

government and its predecessors have seen the situation clearly from the outset, and there have been no wild swings in either evaluation or actions. This fundamental consensus as to the state of Hungary's economy is behind the continuity and consistency shown in our economic policies and repeatedly remarked upon by many foreign observers.

There's also been a common perception of what Hungary's underlying assets are and how to parlay them into solid economic growth. The assets are well-known: decades of experience in conducting international business, high levels of work-force education and expertise, capable entrepreneurs and executives, and a range of new technologies. To fully activate these as-

sets, Hungary has knocked down all the walls between it and the world's business community, opening its economy to the international market. Each government has played a role in formulating the structures furthering this openness.

All three governments have had to deal with the huge debt load accumulated over the previous 40 years. All three have had to configure a fully developed system of social support to fit into the limits imposed by budget realities. These have been hard, not entirely successful battles.

There is also a consensus as to what the current situation of the economy is. Thanks to the implementation of a series of hard austerity measures, real gains have been achieved, includ-

ing a year of overall growth and declines in both the rates of unemployment and inflation. The trade and budget deficits are still too high, but have been showing signs of substantial improvement over the last three months.

You have painted a picture of accord and consensus between your government and its predecessors. What are the areas of difference and disagreement?

There have been quite a few changes since this government took office on July 15. Many of them have surprised outside observers, including our government's resolute implementing of a "no frills" approach to the budget. We've proven ourselves to be fiscal realists, and much more tough-minded in terms of budget-

ing than our predecessors. If I may say so, the previous government had a laissez-faire approach to boosting exports, and that was probably one cause of the last two years' drop in exports.

This government has taken a hands-on role. By way of an example, we've been reaching out to neighbors in Central and Eastern Europe, formulating new trade ties and working agreements. In the Comecon era, these countries had been our major trading partners. Today, they are promising markets for our high-quality goods and services. Our efforts are already showing solid results.

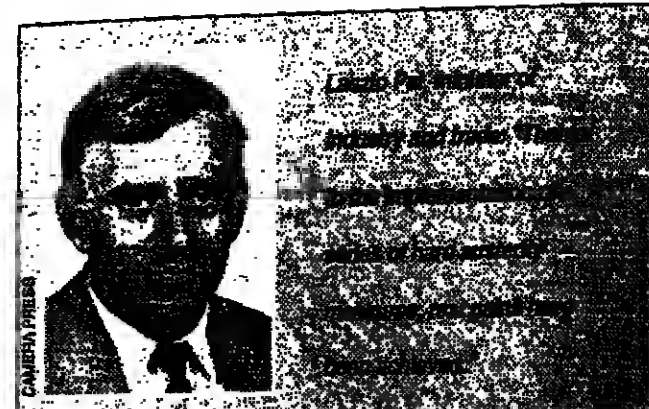
As the above example shows, a consistency in approach and perception does not mean an unqualified en-

dorsing and perpetuating of previously enacted measures. This government is attacking many of the country's persisting problems in a new way.

In the debt area, for instance, we have worked with the National Bank of Hungary to step up collection procedures from countries owing money to the Hungarians, and we are making full use of the country's positive cash flow in managing debt-related expenditure.

Many of Hungary's recent problems have arisen from events outside its control and outside the country. What effect will the ongoing improvement in the world economy have on your country over the next few months?

If coupled with further



progress toward integrating Hungary and its economy into the EU, this upswing could produce several more percentage points of GDP and industrial growth. This "post-recession bonus" would have a direct impact on how normal Hungarians — and that description definitely applies to members of this government — live and work.

We in the government are all normal Hungarians. We do not live in palaces far re-

moved from the common folk. We also wonder how we are going to make ends meet every month when the price of heat or water goes up, how our retired parents are going to survive on their ever-smaller pensions.

Over the last few years, we've all made some very necessary, very hard sacrifices in the interest of long-term economic progress. It would be gratifying to see these sacrifices pay off.

Interview by T.S.

AIM IS INTEGRATION INTO EU AND NATO

Good relations with neighbors seen as essential.

When Hungary's new Socialist prime minister, Gyula Horn, took office this summer, he announced, "I am the prime minister of 10.5 million Hungarians."

He was contradicting a statement by a former prime minister that Budapest could provide leadership to 15 million Hungarians, including the several million ethnic Hungarians living outside Hungary's borders in Romania, Slovakia, Serbia and Ukraine. This has been a thorny issue in Hungarian foreign policy.

Large parts of Hungary were awarded to neighboring countries as the Hapsburg empire was disbanded at the end of World War I, resulting in large ethnic minorities living in states with a different national majority. Concern for the rights of those minorities and mutual suspicion has at times soured relations between Hungary and its neighbors.

But the new government is determined to overcome past differences. Much-desired integration into the West, they argue, can only

be achieved on the basis of stable international relations in the region.

"If we do not normalize our relations with our neighbors, I do not think Hungary would be welcomed as a partner by the European Union or NATO," says Hungary's foreign minister, László Kovács.

Bilateral treaties Mr. Kovács is referring to the two major priorities for Hungary's foreign policy. The first is integration into the Euro-Atlantic community and accession to the European Union and NATO. The second is to diffuse the tension that has accumulated with Hungary's neighbors.

The new government is working energetically toward concluding bilateral treaties with Slovakia and Romania that would confirm the permanence of present borders and guarantee the rights of ethnic minorities.

The issue of minorities is one of the most crucial in the region, as demonstrated by the ongoing war on Hungary's southern border be-

between the successor states of Yugoslavia. With borders adjoining both Serbia and Croatia, as well as Ukraine and Austria, Hungary walks a diplomatic tightrope at times.

"Hungary is located between East and West geographically," says Mr. Kovács. "Just for this reason, we have to have good relations with both East and West." Demonstrating its capacity to act as a bridge, Budapest is hosting the summit meeting this month of the Conference of Security and Cooperation in Europe.

Joint exercises Hungary is waiting for progress in its accession to NATO, which depends more on strategic considera-

tions on the part of NATO member states than on Hungary's state of preparedness. But Admiral William Owens, vice chairman of the U.S. joint chiefs of staff, said on a visit to Budapest in October that Hungary appeared very dedicated to participation in the Partnership for Peace program proposed by the United States and seemed to be following the right pattern for eventual full NATO membership.

In September, a brigade of the British Coldstream Guards arrived in Hungary for three weeks of joint military exercises with some of Hungary's elite troops, including a new Hungarian brigade set up to participate in future NATO peacekeeping exercises.

L.H.

BEST WINE

Snuggled into the picturesque Zemplén hills in northeastern Hungary, the vineyards of the Tokaj region produce wines (also known as Tokaji) that are the envy of winemakers the world over.

The Tokaj Aszú dessert wine is produced by adding grapes affected by noble rot to partially fermented wine. The pungent sweetness of the grapes gives Tokaj Aszú a distinctive flavor that has remained unique, despite would-be imitators.

The state winemaking collective in Tokaj has been broken up, and foreign investors are now rushing into Tokaj. Winemakers are promoting wine tourism by offering tours of the ancient wine cellars of Tokaj and tastings of the best vintages.

T.R.S.



Skill at work: a quality control engineer conducts a test at a Japanese-owned car plant in Hungary.

A WELCOME FOR FOREIGN INVESTORS

Major international companies have found advantages in a skilled work force and tax concessions.

Whether they make light bulbs, cars or cookies, many international manufacturing companies have moved into Hungary since 1990. Hungary was the first former communist country in Eastern Europe to establish the legal framework necessary for a free-market system. This created confidence among major international companies, which have now poured more than \$7 billion into the country, making Hungary the recipient of half of all the foreign investment that has come into Eastern Europe.

The giant U.S. corporation General Electric led the way. Toward the end of 1989, GE began negotiating for the purchase of Tungsram, the state-owned electric light bulb manufacturer. GE then set about restructuring the company, investing heavily in a new plant, improving efficiency through intensive staff training and, inevitably, cutting jobs.

Since 1990, GE has invested over \$600 million in Tungsram. (This was the largest foreign investment in

Hungary until the Magyarcom consortium of Ameritech and Deutsche Bundespost Telekom took a 30.2 percent stake in Matav, the Hungarian Telephone Company.) Tungsram's work force shrank from over 18,000 to just 9,500, but the company started to recruit about 1,000 new workers in 1994. GE closed two plants in England and one in Austria this year and shifted production to Hungary. After four hard years, Tungsram has turned serious losses into a small profit, and the 1994 figures are expected to show further improvements.

Car manufacturing The automotive industry has moved into Hungary in force. Previously, Hungary was known for its heavy engineering, producing trucks and coaches. Now Ford, Suzuki, General Motors and, most recently, Audi have all set up manufacturing operations, taking advantage of the availability of skilled workers.

These early birds won large tax concessions from

the government, including 100 percent tax holidays for five years (with all profits reinvested in the country), and a 60 percent tax break for a further five years.

Hungary is a division of the Michigan-based Guardian Industries. In 1988, this glass manufacturer set up a joint venture with the Hungarian Glass Works in Orosháza, southern Hungary. The plant uses float glass technology to make precision panes for architectural use, mirrors, picture frames and the automotive industry. Altogether, Guardian has injected \$70 million in capital into the plant, buying out the joint venture partner.

"There is very good potential in Hungary," says Rolf Stub, Hungary's finance director. "With a good capital base, there is good opportunity to grow a successful business."

Capital needed Mr. Stub points out that the high cost of borrowing means high capitalization is vital to carry a company

through difficult times. Hungary exports up to 75 percent of its output, and Hungary's central position within Europe and good transport links have helped cut costs and improve competitiveness against other European glass makers.

Beginning in 1995, companies will have a further incentive to set up in Hungary. The corporate tax rate in Hungary will be one of the lowest in Europe. The tax law has not actually reached the statute books, but corporation tax is due to be halved from its present 36 percent rate to 18 percent. There will be a 25 percent withholding tax on profits that are repatriated.

Andre Friedmann, tax partner at KPMG in Budapest, points out that the large number of tax treaties Hungary has with other countries often reduces this tax. "Companies based in, say, the U.K., that own more than 25 percent of a company in Hungary will pay just 5 percent on profits taken out of the country," says Mr. Friedmann. Lucy Hooker

MOFA

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MOFA is Hungary's largest and most successful producer of fibreboard, and a leader in its field in Europe. The company's natural, lacquered and laminated fibreboard and hardboard are used in the constructional joinery, construction and furniture industries all around the world. In addition, the roofing boards of refrigerators and the inside covering of buses are produced from fibreboard.

In 1994, exports accounted for fully 50% of MOFA's 1,200-million-forint in sales. It supplies its goods to almost every country in Europe, from Scandinavia to Cyprus; big volumes are sold to the Italian, German and Austrian markets, as well as to Croatia, Slovenia and Greece.

Recently, the company expanded sales to the Near-East, and it has started transport to Lebanon as well. The company has a well-developed network of representatives in both the Hungarian and export markets.

MOFA is a well-established company, with a new management and a commercial structure. Over its almost four decades of operation, the company has made its "MODEKOR", "MOLAKK" and other trade names synonymous with product quality.

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The long-term plans of the company include an OSB production plant: based on it there is also a planned investment in a plant producing prefabricated houses. This product has been highly appreciated in the U.S.A. for a long time, and it is also catching on in Europe.

Prefabricated houses, as long as they are affordable, can offer a good way to alleviate the Hungarian housing shortage. On the other hand, once the Southern Slav war is over, they can help rebuild these countries.

In addition to the company's reputation, its track record of successful operation [sales have risen 12% over last year] and its exciting range of products, MOFA has a number of other important assets. It is located in Mohács, a town on the Danube, which has its own port. Production facilities are in a good condition, and all necessary infrastructure is provided and can be further developed.

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THE WHOLE WORLD WATCHES AS TELEPHONES GO PRIVATE

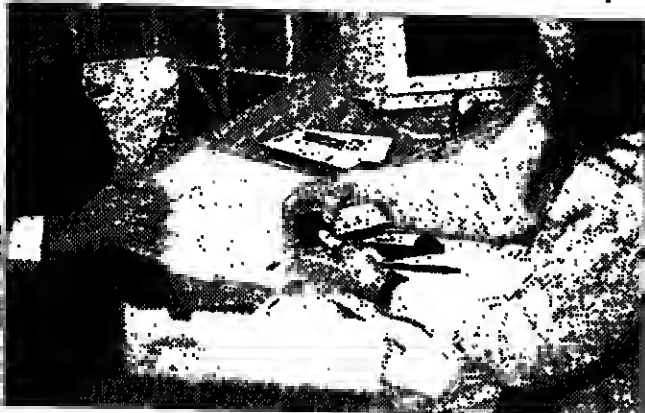
The telecommunications sector has been a major beneficiary of foreign investment.

The privatization of Matav, the Hungarian telephone company, in December 1993 was the largest privatization in Eastern Europe and attracted global interest. From September 1993, when the tender was launched, until the announcement of the winning consortium on December 19, 1993, almost every telecom company in the world had an eye on Hungary. If

an extensive modernization program. Just over 250,000 new subscribers will have been connected to their local exchange by the end of 1994, a growth rate of 19.3 percent, very near the target stipulated in the concession contracts. Matav will then have 1,545,000 direct exchange lines.

This level of system development does not come cheap. Matav will have spent

It is not just the terrestrial telephone system that is improving. Hungary has two GSM mobile phone operators as well as an analogue 450 MHz provider. The older technology for mobile phones came to Hungary when U.S. West and Matav established Westel Radiotelephone in 1990. It won over 50,000 subscribers. In early 1994, the competition really began to



A portable phone is sold in Budapest, where the competition among mobile phone operators has become intense.

they were not participating, they were interested in which of their rivals would eventually win.

Since then, the new joint venture partners — the U.S. Ameritech, the German state telecoms provider Deutsche Bundespost Telekom and Matav — have embarked on

\$645 million on upgrading its technology and services in 1994 alone, according to Ulrich Schumann, Matav's chief technical officer. As a result, Hungary will have optical-fiber links with all its neighboring countries, and Budapest will have ISDN services this year.

bite, with the two 900 MHz GSM providers, Pannon GSM and Westel 900, battling for market share. Neither company has released data on the number of its customers, but both say demand is well above their original estimates.

L.H.



The Budapest Stock Exchange, where business is expected to double in the next year.

CAPITALISM'S RETURN MEANS A BOOM IN STOCKS

The number of shares offered — and the quality of the companies involved — has grown dramatically in the past four years.

The Budapest Stock Exchange was the first bourse to be launched in Eastern Europe after the Berlin Wall collapsed. June 1994 marked the fourth year of operation for the exchange. While remaining smaller than other Central European exchanges, it is expanding slowly and exhibiting more stability as it matures. Today, 40 shares are listed, almost double the 1992 number.

Up to the early part of 1993, trading in Fotek, a diversified retail group, accounted for about 90 percent of all equity transactions on the exchange. Turnover in government securities comprised between 80 percent and 90 percent of total turnover. This is changing. Now, stock transactions make up 30 percent of activity on the exchange.

In 1993 and early 1994, the listing of several major shares dramatically improved and stimulated the

interest of both domestic and foreign investors. In 1993, total turnover on the exchange rose by 550 percent, up to 195.69 billion forints (\$1.78 billion) from 33.67 billion forints in 1992. By the end of this year, turnover will have passed the 200 billion forints mark.

Lajos Bokros, the chairman of the Budapest Stock Exchange, believes this progress will continue. "The capitalization and turnover of the BSE will increase very rapidly," he says. "It will double the size of capitalization next year."

About 50 brokers are licensed to operate on the exchange. The majority have the capital requirement of 50 million forints that allows them to underwrite issues.

Foreign interest

The quality of new shares coming to the stock market has boosted the image of the exchange. Some of the earlier listings included some un-

reconstructed companies. Many did not trade for months on end. With the advent of shares like Danubius Hotels, Primagaz, Csemege Julius Meinel and Zwack in 1993 and a raft of further listings in 1994 such as Inter-Europa Bank, Egis, Graboplast, Sopron Sörgyár, Globus, Pannoplast and Pharmavit, the BSE can

boast quality companies with strong management.

The exchange has also become part of the privatization process. Of the 40 shares on the exchange in September 1994, 19 had been privatized. Foreign investors have driven the share market up, with 80 percent of turnover coming from non-Hungarian purchasers.

The prospects look even better. "We expect to see some big issues like public utilities, the electricity company, the gas distribution companies and Matav," says Mr. Bokros.

Other shares likely to be listed include those from the energy sector, which the government intends to privatize.

Tim R. Smart

BEST RESTAURANT

During 40 years of communism, Hungary's once-famous cuisine lost much of its flair. Robert Cei-Bert is changing that. After extensive research in the Far East, he produced a new Hungarian cuisine, which he is introducing in Budapest's Fortuna restaurant.

"Here in the Fortuna, we are trying to rebuild Hungarian cuisine by taking into account its Asian roots," he says. Fogash fish from Lake Balaton is served on a bed of sauerkraut under a fine layer of ba-

con. Beef from the long-horned cattle of the Great Plain is served in a sour cream sauce with gherkins.

"In old Hungarian food, harmony had to be achieved between five basic tastes — sweet, sour, bitter, salty and spicy — no one taste could dominate," says Mr. Cei-Bert.

In January, the Fortuna is going to offer food literally fit for a king — for a royal gala in Sweden.

T.R.S.

'TURNAROUND YEAR' ENDS WITH MODEST GROWTH

Continued from page 13

have been achieved in reducing unemployment, now down to around 11 percent (a two-year low). Inflation, at 18 percent, is at a five-year low, but is still too high. The private sector and its various indicators (number of automobiles, retail outlets, restaurants, hotel beds) continue to grow, with the number of companies up 9 percent over the previous year.

Also remaining high are the country's budget deficits, external indebtedness, and, on the positive side, the influx of foreign capital into Hungary.

Cardinal policy point

"There is a very direct connection between the phenomena," says Mr. Pal. "Today's debt load was an unfortunate legacy of the pre-1989 government. Debt service is largely responsible for the current deficit. Nevertheless, all three post-revolution governments have made fulfilling all international financial obligations a cardinal point of policy — and for a very good reason."

He adds: "Our five years of unwavering adherence to international rules of business play have won us the confidence of the world's business community. Ample proof of this confidence is provided by the foreign investment figures."

By the end of October 1994, \$1 billion had been invested by non-Hungarian companies in the country, bringing the cumulative total to \$8 billion and keeping Hungary at the top of the regional charts. Importantly, some 40 percent of that sum has gone directly into manufacturing facilities — investments that are behind the re-

cent spurt in industrial output.

"For me, the great vote of confidence is the fact that the international business community takes Hungary's financial probity for granted," says Mr. Bod. "No one ever questions the ability and willingness of Hungary's public and private sectors to meet their commitments and obligations."

Rise in outlays

In office since July 14, the new left-center government has shown itself to be more "hard-line" than its predecessors, recently announcing a further wave of price hikes and support cuts. Despite this stepping-up of an already severe austerity program, Budapest still has a prosperous, bustling air.

In fact, by informal standards, the city's affluence has reached mainstream Western European levels. Modern Western automobiles make up a large percentage of the city's worsening traffic jams. On many main arteries, the number of fast-food franchises has doubled over the past year.

The country's "shadow economy" has also grown and was recently estimated to be one-third the size of the official one.

"It has gotten larger," agrees Mr. Pal, "because the volume of 'informal business relationships between the various sectors of the Hungarian economy and with the outside world has been drastically expanding. Also getting larger are our efforts to bring the shadow economy into the official one. As one of many examples, our tax authorities are getting new, powerful computers and are engaging in a major recruitment of staff."

Terry Swartzberg



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International Exposition of Nature, Hunting and Fishing
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journals in the seventies, marking that with the Budapest International Hunting World Exhibition a kind of change had started. The wide-ranging exhibition was regarded by some as the first sign of reconciliation of the former opponents hunting and nature conservation. Beyond the nostalgia for the Budapest International Hunting World Exhibition, felt even today, responsibility for flora and fauna strengthened on behalf of Hungarian hunters and fishermen. So when Mr. Tamás Hajas, the well-known businessman, raised the idea of the hunting exposition in 1996, it became evident that the original conception must be supplemented with nature conservation.

First a consortium was formed for the preparation of the International Exposition of Nature, Hunting and Fishing '96 by five companies: OTP National Savings and Commercial Bank Limited, MAVAD - Hungarian Game Management and Trading Company Limited, HUNGEXPO Company Limited for Fairs and Publicity, Pills Park Forestry Limited and Kettner-Hajas Ltd., and with the participation of Mr. István Egyed, the general manager of the project and head of Naturexpo '96 Ltd., the organizer company. It was formed to organize the event after getting all the necessary permissions. One of the largest Hungarian commercial banks, OTP National Savings and Commercial Bank Limited, is a majority shareholder in Naturexpo '96 Ltd., and this very bank will finance the preparation of the whole project.

Since June 1993, the time of the first press conference, a great many of applications for the exposition have already been registered. Among the group of supporters are C.I.C. (International Council for Game and Wildlife Conservation), Ministry of Agriculture, the Ministry for Industry and Trade, the Ministry of Nature Protection and Water Treatment of the Republic of Hungary as well as the Hungarian Hunters' National Association. The chief patron of the event will be Mr. Árpád Göncz, President of the Hungarian Republic.

The Naturexpo '96 will be held at the Budapest International Fair Center between August 15th and September 8th, 1996. The basic themes of nature conservation, hunting and fishing will be touched upon: off-road vehicles, the newest results of wildlife conservation and environmentally friendly technologies; thousands of interesting and existing inventions will be shown. International organizations, multinational companies, and different countries will also be represented. There will be scientific conferences, films, book exhibitions and spectacular animal shows. A group of experts, marketing and advertising agencies are at work on the success of the exposition, among them Mr. Sándor Tóth, who was the chief organizer of the International Hunting World Exhibition '71.

There are a few months left until the opening of the International Exposition of Nature, Hunting and Fishing '96. In the meantime newsletters are being published, events and programs arranged and famous foreign guests invited by the leaders of Naturexpo '96 Ltd. with the aim of attracting as many Hungarian and foreign visitors to this special event as possible, and to make people feel the significance of the responsibility of mankind for the environment. The event is intended to be in a pleasant atmosphere, among plenty of interesting things to see.

According to plans, the continuation of the Nature Conservation conference in Rio will take place in Budapest in 1996, as part of Naturexpo. This nature conservation conference and exposition has a particular importance in giving an account of the newest results and future tasks of the scientists and laymen, and the sustainable use of the natural resources, because today the protection of the environment is the duty and personal responsibility of the whole of mankind.

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Soon to be on sale: The finest state-owned properties in Hungary

A new, far-reaching Act on Privatization is expected to greatly increase the number of blue-chip state-owned companies offered for sale in Hungary. Currently under consideration by the country's parliament, the Act is due to take effect early in 1995.

The Act is designed to further the Government of the Republic of Hungary's aim of building an economic system based on private-sector ownership of corporate assets, and of integrating this system into the world's business community. By securing investment from abroad, the Act will also enhance the ability of the country's companies to compete on the international level, as these foreign companies will provide their Hungarian partners with fresh capital and indispensable marketing and management expertise.

An accelerating pace of privatization

"The Act is designed to speed up the transfer of ownership from the public to the private sector," says Ferenc Bartha, Mr. Bartha has headed the country's privatization efforts since July 1994. His long and distinguished career includes stints as the president of the National Bank of Hungary (the country's central bank) and of the Banque Indosuez's branch operations in Hungary.

The Act will have a sweeping impact. The Government plans to sell 850 companies at present fully or partially owned by the state within three years.

Wanted: cash on the barrel

In addition to setting up procedures accelerating the pace of privatization, the new Act places a high priority on facilitating purchases made on a cash basis. There is a simple and substantial reason for establishing this preference: to secure a further source of income for the nation's budget. The 1995 draft budget has pegged projected income from privatization to 150 billion forints (\$1.4 billion) — equivalent to one-third of the amount required to meet the year's debt payments. In the first half of 1994, only 27 percent of the 47 billion forints in privatization proceeds realized by the State Property Agency's (the coun-

try's trustee for companies to be privatized) was paid in cash. For the State Holding Company (the trustee for companies in which the public sector has a long-term interest), the comparable figures were some 45 percent of the agency's 22 billion forints in income.

Focus on the energy sector

The Government has scheduled the privatization of Hungary's electricity and natural gas supply sector for the next few months. According to Mr. Bartha, any prevailing uncertainties affecting investment in this area are to be dispelled by the enacting of legislation and other measures. For instance, the Government is preparing to launch a major correction of energy prices. At present, the prices levied are lower than the cost of energy production and transmission. As Mr. Bartha points out, the setting of energy prices is a highly sensitive matter, as these prices in turn influence production costs and hence the profitability of the country's industrial sector. Energy prices also have a direct impact on standards of living. Due to these factors, the prices will be determined by the political process, which will also set up a comprehensible framework for the setting of charges in the future. This aspect is highly important, as future energy suppliers will have monopolies

in their sectors and kinds of energy. As is the case in Western countries, the state will continue to have a voice in the regulating of future suppliers.

Bolstering the banks

By the end of this year, the Government intends to have formulated a plan of privatization for the country's banks. As of this writing, there is only one state-funded bank in which non-Hungarian investors hold a significant stake: the Hungarian Foreign Trade Bank (MKB), in which Bayerische Landesbank (Munich, Germany) and the European Reconstruction and Development Bank (EBRD, London) have a 42 percent shareholding. There are several foreign-owned banks in the country. The next commercial bank in Hungary to be privatized will probably be the Budapest Bank (BB). Standing in the way of the privatization of the other banks has been the reservations expressed by interested investors as to the quality of the loan portfolios held by the country's various commercial banks. These reservations are not unfounded. However, as part of the banks' debt consolidation process, the government has provided more than 300 billion forints in non-performing loan relief. These debts were a by-product of the process of economic transformation.

For further information, please contact

**Hungarian State Property Agency
Press and Marketing Department**
Tel. and fax: (+36-1) 267 80 60

**Hungarian State Holding Company
Press and Marketing Department**
Tel.: (+36-1) 267 66 51
Fax: (+36-1) 209 37 18

However, the banks' privatization cannot be separated from events taking place on the country's capital markets, emphasizes Mr. Bartha.

The capital markets hold the key

The Budapest Stock Exchange's daily turnover is less than those in Prague or Warsaw. The reason for this is that Hungarian companies are also quoted on Vienna's and other exchanges. Hungary's large utility companies are set for listing on the country's stock exchange. The first institutional investors in the country are now appearing. The Government intends to take all measures at its disposal to further both trends, notes Mr. Bartha in conclusion.

Hungarian State Holding Company/State Property Agency New Privatization Strategy in Hungary

Hungary's privatization program is nearing the halfway point. According to the latest estimates, 47 percent of the public sector's total former holdings have now been privatized. There are varying valuations of the property privatized. According to the State Property Agency's data, it owned 1,800 companies worth 2 trillion forints (\$18 billion) in 1990.

It is on this basis that the 47 percent mentioned above was calculated. When compared to the results achieved by the other countries in Central and Eastern Europe, the figure illustrates the country's strong position within its economic region and the confidence international investors have placed in Hungary. This confidence manifested itself from the very start of the transformation process and ensued from a variety of practical factors. Hungary quickly established a legal framework conducive to the creation of a market economy. The country has also displayed a high degree of political stability. In recent years, Hungary's annual rates of working days lost to strikes have been among the lowest in Europe. Furthermore, the country has a large stock of highly trained, relatively inexpensive workers. In view of these factors, it is no wonder that some \$7.2 billion in non-Hungarian long-term capital has been invested in the country during the last four years, with this taking place both via privatization and via greenfield investment.

Heightened interest

Today, the early fast pace of investment has slowed. The reason is that many of the most profitable and promising companies have already been sold. A large number of highly valuable companies are still partially or totally owned by the public sector. These companies are, however, subject to the provisions of a special act of parliament, which sets the shares held by the government in the various companies. Another factor has been the heightened interest shown by investors in the region's other countries, increasing the level of competition for investment capital. Despite these factors, Hungary's position in its region remains strong.

The ideas guiding Hungary's approach to privatization have changed several times over the past few years. So-called "spontaneous privatization" was a common occurrence in 1989 and

1990, a period in which the legal framework for the privatization process was not yet fully in place. Acts setting up the State Property Agency and the Hungarian State Holding Company (charged with managing the companies to remain in the public sector's ownership on a long-term basis) were subsequently passed by Parliament.

The new government intends to accelerate the pace of privatization. It wishes to accomplish the sale of the remaining companies in public sector ownership and designated to be privatized within the next two to three years.

The first change instituted by the government was to reformulate the country's basic approach to privatization. A new strategy and a draft law were prepared by a committee of senior economists and successful business persons, after securing input from various professional bodies and government ministries. The draft law was submitted to the country's parliament in November. It should be passed by early next year, meaning that the new privatization approach and law could take effect by spring 1995.

The new strategy's underlying objective is to boost the overall growth of Hungary's economy. During the strategy's formulation, there were involved debates on whether it would be more productive to restructure the companies to be privatized before putting them on to the market, or to sell them in their current state and let the new owners do the job of revamping them. It was decided that the public sector should not attempt to save companies it had been unable to manage effectively.

Public sector

The public sector intends to reduce the number of companies currently held as long-term assets, and thus to merge the State Property Agency and the Hungarian State Holding Company. The debate as to the structure of the merged organization has yet to be concluded. Parliament will have the final say on this matter. The core of the debate is whether the new organization should be a joint stock company or a public sector agency. The position currently prevailing is for it to be a publicly owned company. The Minister of Finance would represent the owners and exercise executive power. No matter what form the new organi-

zation finally assumes, investors will find it easier to deal with. This new, "one stop" organization will not only hold the 160 companies previously owned by the Hungarian State Holding Company and those 600 still under the stewardship of the State Property Agency, but also the real estate and other property currently belonging to the Treasury Holding Organization.

The companies to be held by the new organization are heterogeneous. The most valuable are the ones still entirely owned by the state and active in such important areas as utilities. These include Magyar Villamos Művek Rt. (Hungarian Electricity Co.), MOL (oil supplier), MATAV Co. (the country's

largest telecommunications company) and Hungary's natural gas companies. International investors have already expressed interest in acquiring these companies. Pharmaceutical companies are also considered to be highly attractive by the international business community.

Role of stock exchange

The new government has set a preference for purchases on a cash basis, as such purchases provide both the federal budget and the companies sold with an influx of funds. The new strategy also foresees that foreign companies will play an even greater role in the country's economy. The companies' capital expenditures could be channeled

through investment funds, as yet to be established. To this end, the government will make full use of the Budapest Stock Exchange. It is planned to float some 10 to 12 companies on the stock exchange within the near future.

At the same time, it is obvious that only a portion of the companies to be privatized will succeed in attracting investors willing to pay cash for their assets. For some 600-700 small and medium-sized companies, purchase by cash-paying investors remains the most desirable option. However, the monogamies of these companies would accept some form of preferential buying system, in which payment is made on a staggered basis.

It is anticipated that a number of companies will be privatized by management buy-outs initiated by company work forces or executives. In such case, preferential schemes will remain in force. In fact, a new form of preferential payment has recently been formulated. In it, employees and executives buy 10 percent of the company's shares up front, with a further 40 percent to be purchased over a 10-year period.

After this, the new owners receive the rest of the company's equity free of charge. However, this solution will only be implemented in situations in which there is no other way to privatize the company in question.

Interview: Expert Outlines His Plans

At the beginning of October, Gyula Horn, Hungary's prime minister, named Attila László to head the State Holding Co. The new director general, interviewed here, is 35 years old, unusually young by Hungarian standards for such a senior position. Mr. László describes himself as a technocrat. He is well-qualified for his position, having studied finance and having held a number of senior corporate positions.

Your appointment coincided with changes in the ranks of the board of directors of State Holding Co. According to the government, the reason for these changes was the wish to place privatization experts in senior positions, and to thus expedite the privatization process. As you know, the State Holding Co. is set to be merged with the State Property Agency, meaning that your tenure as CEO will probably only last until the end of 1994. What can you accomplish during this limited amount of time?

It is especially important to maintain the continuity of the privatization process during this period of transition, and to avoid any interruption of the ongoing work. A great deal of preparatory work also has to be carried out before the new law takes effect, because the new law will cause major changes in organizational structures. Through these changes, the privatization process will be made much more comprehensible to foreign investors, who will have to deal with only one agency.

Some people have voiced the criticism that your company's privatization-related decision-making processes have slowed down lately. Instead of accelerating, as you have said should be happening. What is the truth of the matter?

The companies held by the State Holding

Company are to be divided into two main groups. The first group is more numerous but their individual and total value is less. Companies in this group have share capitals of less than 1 billion forints (\$9.1 million). Their size makes them attractive to domestic investors. The companies attracting foreign interest are mainly in the infrastructure field. They supply electricity or natural gas, or are active in telecommunications. To sell these companies, we are preparing highly detailed tenders and are conducting corporate audits undertaken according to international standards. At the same time, we are working on overall approaches to the privatization process which incorporate international practices. These approaches also take the interests of our country into account, as the infrastructure sector is of key importance to the future of the country.

Approaches have been put together before, but few tenders resulted from them. What's different about this time?

These large-scale infrastructural systems are currently state-owned and operated monopolies. We do not plan to change them into private-sector monopolies. Instead, to give an example, our plan foresees that individual power plants and network operators are to be privatized. They will then be linked to MVM Rt. (Hungarian Electric Co.) by trade supply agreements. MVM is currently the most valuable company in the country, with the value of its power plants, suppliers and network systems amounting to some 500 billion forints. The privatization plan for MVM should be completed by the end of November. It is derived from one compiled by Schroeder Co. of the U.K. Tender preparations may start as soon as December. However, the actual privatization will not take place until some time in 1995.

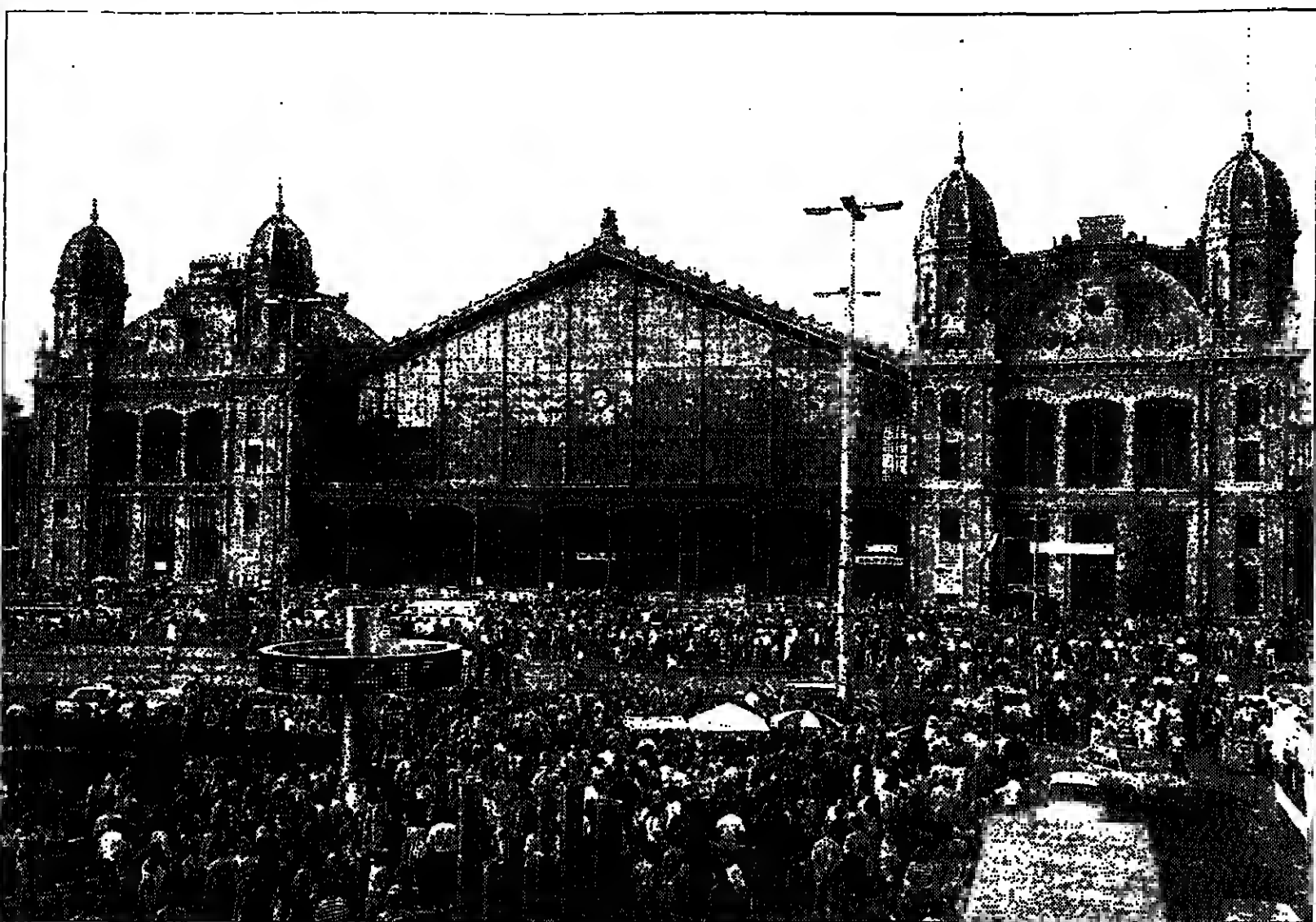
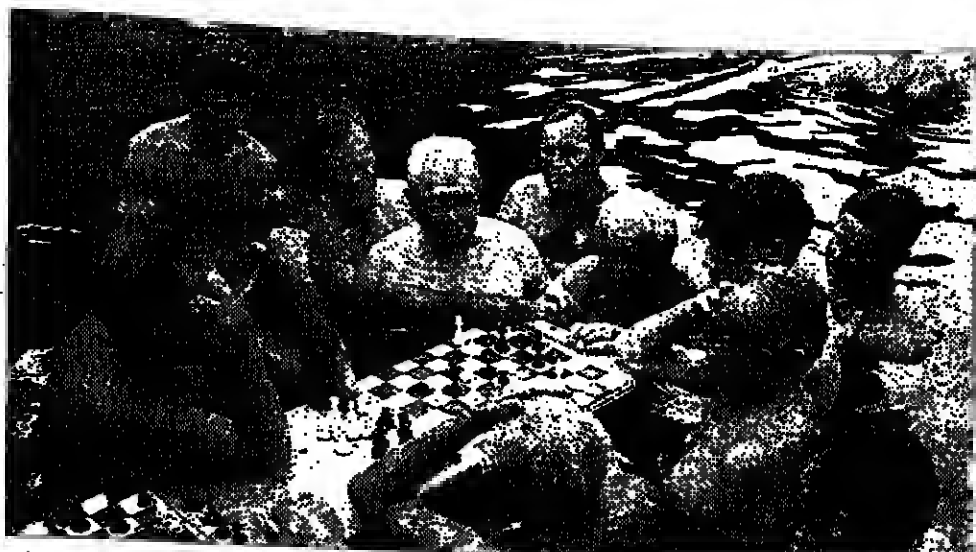
The plan for the privatization of the country's natural gas companies will be finalized during the second half of November. We are well aware of the fact that the existence of a clear and comprehensible tariff system is an important precondition for privatization. The Ministry of Industry is intensively working on such a system and I trust that this problem will be solved by next January.

The privatization of MATAV, the country's most important telecommunications company, is already partially completed. Thirty-three percent of its stock was sold by the State Holding Company last year. We are currently looking into floating the rest of its equity on the Budapest Stock Exchange.

One focus of our interest is the country's banks, an area in which interest from foreign investors is also strong. The most promising candidate for privatization is the Budapest Bank Co. An institutional investor is interested in the bank, but the completion of sale won't take place until 1995. The Budapest Bank has a shareholders' capital of 12.64 billion forints. We are preparing to launch OTP Co., the country's largest building society, on to the Budapest Stock Exchange. The bank's share capital amounts to 23 billion forints.

In the industrial sector, pharmaceutical companies have attracted most of the foreign investment interest. The privatization of these companies has already begun and is being carried out partially through sales to foreign investors, and partially by floating portions of the companies' equity on the Budapest Stock Exchange. We expect further investment by foreign companies in this regard.

HUNGARY



Tourists arriving at Budapest have a choice that includes a relaxing game of chess in a heated pool or an architecturally interesting church near Lake Balaton.

CHALLENGES FACING TOURIST INDUSTRY

The need for more — and richer — visitors opens up attractions outside the traditional destinations.

In the first eight months of 1994, Hungary received 26 million foreign visitors. Income from tourism represents 8 to 9 percent of Hungary's gross domestic product, on a par with agriculture and telecommunications. Foreign exchange receipts in 1992-1993 amounted to \$3 billion. And in the first half of 1994, Hungary's income from tourism went up by 20 percent over the same period in 1993.

The 1,100th anniversary in 1996 of the arrival of the first Hungarians in the Carpathian basin promises to be a spectacular celebration that will draw visitors by the millions.

In the early 1980s, most of Hungary's visitors originated from other Eastern bloc countries and had little spending power, but now more and more tourists from Western Europe are vacationing in Hungary. The number of American tourists in Hungary has increased every year for the last 10 years, and this year looks likely to top the quarter of a million mark.

In the picturesque and well-preserved little towns near the Austrian border,

shopkeepers and hoteliers quickly learned how to cater to the streams of mostly Austrian visitors. Signs are painted in German, and people working in the service sector speak German.

Austrian and German guests come to shop, to sit in the *kavehazok* or cafes, or to soak in Hungary's famous spa waters. Health tourism has taken off in Hungary over the last few years.

Renowned festivals

Others come for the renowned spring festival of classical music or for the jolly wine festival around harvest time. Lake Balaton provides ideal facilities for wa-

terskiing, windsurfing, swimming and sunbathing. Budapest itself is a vibrant cosmopolitan city.

Two-thirds of the tourist industry is in private hands, and tourists are not being directed only to traditional tourist destinations, such as Lake Balaton and the historic sights of Budapest.

"These days tourists think differently about Hungary, and we definitely intend to change our image," says Ervin Pocs, director of policy and research at the Hungarian Tourist Board. "The attention of many Western tourists has moved from the seaside resorts to nature: the Great Plain, spa tourism,

hobbies. We have great possibilities if we build around our natural resources."

The challenge that Mr. Pocs faces is not only to increase the numbers of visitors, but also to attract tourists with higher incomes who will spend more per day.

"We would like to give a higher standard of service for mass tourism and a bigger assortment of services," says Mr. Pocs. "We would like to turn some of our hotels into real tourist complexes. We want to create completely new touristic products for the higher strata of the population from the West." T.R.S.

BEST CULTURAL CENTER

For a taste of Hungarian culture, the place to go is a *Tanchoz*, or dance house. The cultural house at Marczibányi Square, in Buda, hosts some of the region's liveliest and most authentic dances.

Bands accompany wild heel-kicking, leaping and spinning couples. Marczibányi cultural house offers everything from traditional Hungarian folk dance

to Moldavian and even Indian variations.

"It's a way to see a side of Hungarian culture that you do not see in normal tourist venues," says Christina Crowder, a 25-year-old American musician living in Budapest. "This is Hungarian culture for Hungarians, but there are people who speak English. And if you want to learn the dances, you can." T.R.S.

BORN OF ADVERSITY, A CULTURE THRIVES

Like an island in a sea of Germanic and Slavic peoples, Hungary nurtures a distinct identity.

A Hungarian will never tire of talking history. Over a glass of Bull's Blood or on the bus, informal conversations are often punctuated with historical dates and references to the lessons of past ages.

Knowing Hungarian history is the key to the Magyar heart, and if they wax melancholy on the subject, it is because of the tragic romanticism with which they regard their own fate.

Hungary is like an island, surrounded by what has, at times, been a hostile sea of Slavic and Germanic peoples. This has cultivated in Hungarians a strong patriotism and identification with their past.

To begin with, the language itself is an oddity, incomprehensible to Hungary's neighbors and unrelated to Slav or Indo-European language groups. Despite its Finno-Ugric origins, it is only very distantly related to languages such as Finnish and Estonian, and it presents a challenge even to linguists.

But it is not only the language that makes Hungary unique. A rich culture of traditional dance, crafts and music thrives in the countryside around Budapest. Peasant women still travel to market dressed in colorful folk costumes.

Nomadic origin
Hungarians originate from:

nomadic tribes from the east of the Ural mountains in Asia. They arrived in the Carpathian basin on horseback in 896 and settled down to prosper from agriculture and cattle-rearing.

But it has not all been plain sailing since then. Hungary spent 150 years under Turkish occupation and then had a rocky relationship with its Hapsburg overlords until 1867 a certain amount of autonomy was granted.

In 1920, Hungary was punished for its role in World War I. The Treaty of Trianon awarded two-thirds of Hungary's territory to its neighbors, and a third of Hungary's population became citizens of other states. The rights of ethnic Hungarians living abroad is still a highly emotional issue in Hungary.

The violent uprising against Soviet domination in 1956 forced another wave of Hungarians to emigrate. Many of them have achieved international repute in science and the arts. Visitors to Hungary often laugh because every time an invention is mentioned, be it the television or the ballpoint pen, their hosts will claim a Hungarian deserves some credit for its development.

Professor Erno Rubik's magic cube may have been just a simple toy, but it took the world by storm in the



A celebrated center of Budapest life: the Hungaria coffee shop.

1980s. And Hungarians have produced more winners of the Nobel Prize per capita than any other country.

Earlier this year, Hungarian-born John Harsanyi won the 1994 Nobel Prize for

economics with two other economists for their work in applying the principles of games such as chess to complex economic issues. Hungarians have always been good at chess.

Tim R. Smart

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EXILES WHO MADE GOOD

When they were exiled from Hungary, many of the country's best minds found a way to make good. Among them were the composer Franz Liszt, the writer Sándor Petőfi, and the scientist Albert Einstein.

Many of the country's best minds found a way to make good. Among them were the composer Franz Liszt, the writer Sándor Petőfi, and the scientist Albert Einstein.



CALL FOR TENDERS

On behalf of the Municipality of Budapest/H/ The Budapest Metropolitan Property Management Center Co. Ltd. hereby invites tenders to purchase the exclusive property of the Municipality of Budapest in the fifth district of Budapest, at 12 Károlyi Mihály Street

The four storey /plus basement/palace was built in 1866 and designed by Miklós Ybl the most significant Hungarian architect of the period.

The aim of the tender is to choose the new owner of this historical building in the heart of downtown Budapest, who will renovate it while preserving its original architectural character.

The invitation for bids is international and public. The documentation, including the conditions of the competition and technical information, may be purchased between 9:00 a.m. and 12:00 noon on work days up to January 12, 1995 at the non-refundable price of 30,000 HUF + 25% VAT, at Budapest Metropolitan Property Management Center Co. Ltd., 23-27 Váci út, XII floor, Budapest XIII, H-1134 Hungary Phone/Fax: /36-1/120-2278, 120-1278

Tenders must be received before 14:00 p.m. January 20, 1995

The opening of tenders: January 24, 1995, 10:00 a.m.

A committee designated by the present owner will preliminarily evaluate tenders. The final decision ought to be made by February 28, 1995, by the General Assembly of the Municipality of Budapest.

Hungarian law requires that we notify bidders that the inviter of bids has foreign trade rights.

Consolidated trading ended Friday, Dec. 2.

Stocks Div Yld Sales 100% High Low Clse Chng

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MONDAY SPORTS

No. 1 UMass Falls To No. 7 Kansas

Compiled by Our Staff From Dispatches

Another top-ranked college basketball team fell with a thud over the weekend, a victim of wretched shooting and a relentless opponent.

Lou Roe tried desperately to carry No. 1 Massachusetts on his back, but the Minutemen proved to be a heavy burden down the stretch and No. 7 Kansas pulled away for an 81-75 victory Saturday in the first game of the John R. Wooden Classic in Anaheim, California.

No. 5 UCLA brought down No. 3 Kentucky in the second game.

So, there will be a new No. 1 this week.

Roe did his part to keep UMass on top, but he couldn't guard all five Jayhawks alone. Or score over them either.

He had 33 points and 10 rebounds, often dominating the

COLLEGE HIGHLIGHTS

taller Jayhawk front line, but Roe's teammates abandoned him late in the game. Against previously top-ranked Arkansas on Nov. 25, Roe scored 34 points and had 13 rebounds in overwhelming the Razorbacks' Cordell Williamson. He also had help in the 24-point victory. In this game, he did not.

Against Kansas, the 6-foot-7 (2-meter) forward made a respectable 13 of 25 shots from the field. His teammates threw up bricks, however, making only 17 of 52.

At times, the highly-touted sophomore center Marcus Camby seemed invisible. Jayhawk big men Raef LaFrenz, who had a team-high 18 points, Greg Ostertag and Scott Pollard dominated the second half.

Camby, who had 13 points and 12 rebounds against the defending NCAA champion Arkansas, had two points and five rebounds against Kansas.

Two free throws by Jacques Vaughn and a three-point basket by Jerod Haase in the game's final 1:14 helped Kansas seal the victory.

"It was apparent today that we can't beat the top teams with only one guy," the UMass guard Derek Kellogg said.

UMass Coach John Calipari pointed to his team's wretched shooting and the Jayhawks' remarkable intensity as the deciding factors. "I thought we got outplayed, outshouted and outcoached," Calipari said. "We have shot better. It takes great balance to beat a Kansas or an Arkansas and you can't beat them with one player."

No. 5 UCLA 82, No. 3 Kentucky 81: UCLA freshman J.R. Henderson wasn't even born when the Bruins and Kentucky last played nearly 20 years ago for the NCAA championship. So he was hardly nervous stepping to the line with six-tenths of a second remaining and the game in his hands. Henderson hit two free throws to give UCLA the one-point edge.

"I'm not the one to get real nervous," Henderson said. "As soon as the first one was over, that was the big one." Kentucky called a time-out, sending Henderson to the bench to consider the pressure. Instead, the 18-year-old smiled and told senior teammate Ed O'Bannon that his second attempt would be "no problem." Indeed, it wasn't. Henderson tied the line, and the net swallowed his shot.

"I was on the bench and I saw the second one in already in my mind," he said.

The two schools hadn't played each other since the 1975 NCAA title game, which the Bruins won, 92-85, for the last of coach John Wooden's record 10 championships.

After No. 7 Kansas beat No. 1 Massachusetts, in the opener, and with Wooden watching the doubleheader, the Bruins took advantage of Kentucky's foul trouble and exerted strong defensive pressure to come back in the final minutes.

Kentucky led by 10 with about 11 minutes in play and was up 77-71 with 3:40 to go before UCLA rallied.

It was the lack of interior defense that hurt the Wildcats. Kentucky's coach, Rick Pitkin, said.

O'Bannon led UCLA with 26 points, while Zidek had 16 points and 10 rebounds. Kentucky got 16 points from Rodrick Rhodes and 14 from Jeff Sheppard.

Tony Delk, the Wildcats' leading scorer with a 17.0 average, went to the bench with two fouls in the game's opening two minutes.

No. 2 North Carolina 86, No. 10 Cincinnati 76: In Charlotte, North Carolina, sophomore Jeff McInnis scored a career-high 23 points, and North Carolina survived second-half foul trouble to win the Tournament of Champions.

McInnis scored 16 of his points in the second half, including 10 in the final 5:21.

No. 4 Arkansas 94, Missouri 71: In Columbia, Missouri, Scotty Thurman scored 27 points and hit two of five 3-pointers in a 32-second span in the second half to break up a close game, as Arkansas defeated Missouri. Clint McDaniel added 20 points for Arkansas as the Razorbacks ended the Tigers' 17-game home winning streak.

No. 6 Duke 70, Illinois 65: In Chicago, freshman guard Trajan Langdon scored all 12 of his points in the second half as the Blue Devils fought off the Illini to continue their mastery of Big Ten competition. Duke scored the final six points in the first college game at the United Center.

No. 8 Florida 81, No. 21 Wake Forest 70: In Greensboro, North Carolina, Dan Cross scored 27 points to lead Florida to victory. The Gators held Wake Forest to one shot on most of its possessions, then maintained that control to keep the Demon Deacons from making a run in the second half. Only Florida's inconsistent ballhandling — 19 turnovers — kept it from opening a bigger margin and the Gators' stifling man-to-man defense quieted the outside shooting of Randolph Childress. Wake Forest's prime offensive threat.

Iowa 91, No. 14 Ohio University 75: In Iowa City, Iowa, Jess Settles scored 26 points as the host surprised Ohio and won the Hawkeye Invitational championship for the 12th time in 13 attempts. The Bobcats have lost two of its last three games.

No. 19 Georgetown 74, DePaul 68: In Landover, Maryland, freshman guard Allen Iverson scored 16 of his team-high 31 points in the closing 6:54 to help boost Georgetown past DePaul.

(LAT/AP)



Cowboys' Michael Irvin celebrating his touchdown Sunday with teammate Alvin Harper, as Dallas beat the Eagles.

Patriots Stomp On Jets' Hopes

The Associated Press

FOXBORO, Massachusetts — Ricky Reynolds raced 11 yards with an interception for a touchdown, carrying New England closer to the playoffs and stumping on New York's hopes Sunday, as the Patriots beat the Jets, 24-13.

Tortured by turnovers this season against the Jets, the Patriots finally capitalized on one of their own. Reynolds' theft gave them a 17-13 lead with 3:51 left in the third quarter.

With three games left, the Patriots improved to 7-6 with their fourth straight victory as they

NFL ROUNDUP

seek their first playoff berth in eight years. Their American Football Conference East rival Jets fell to 6-7.

A fake field goal that turned into a punt pinned the Jets at their 1-yard line. After Richie Anderson ran twice for 4 yards, Bonner Esiason threw near Ryan Yarbrough on the left side. Reynolds cut in front, caught the ball and cruised to the Patriots' first defensive touchdown of the year.

On the previous possession, the Patriots had a fourth-and-7 at the New York 31. Punter Pat O'Neill lined up for a field goal.

Instead, he placed a punt perfectly, and tackle Todd Rucchi downed the ball at the 1.

Art Monk tied Steve Largent's NFL record of 177 straight games with at least one catch.

The game was tied 10-10 at halftime, and all the Jets' points came after turnovers. Esiason's 15-yard scoring pass to Monk followed a fumble by Leroy Thompson. Nick Lowery's 46-yard field goal four seconds before halftime was set up by James Hasty's interception of Drew Bledsoe.

Cowboys 31, Eagles 19: Emmitt Smith, carried 25 times for 91 yards and two touchdowns to lead visiting Dallas (11-2) over Philadelphia and clinch the Cowboys' third straight NFC East title.

Michael Irvin had 117 yards and a touchdown on four receptions. It was Dallas' 14th successive NFC East victory and the Eagles' fourth straight loss.

The Eagles (7-6) rallied when Randall Cunningham's second touchdown pass of the game cut the Dallas lead to 24-19 in the fourth quarter.

But after a 49-yard punt return by Jeff Sydnor gave Philadelphia the ball on the Cowboys' 12, Darren Woodson intercepted Cunningham's pass and ran it back 94 yards for the touchdown that sealed the victory.

Steelers 38, Bengals 15: In Cincinnati, Bam Morris rushed for 108 yards and a pair of touchdowns, and Rod Woodson returned one of Pittsburgh's two interceptions for a TD as the Steelers roughed up Cincinnati to clinch a playoff spot.

Pittsburgh (10-3) came into the game tied with Cleveland for the AFC Central lead. The teams met in Pittsburgh in two weeks for a game that probably will decide the division title.

The victory clinched at least a wild card for the Steelers.

Morris, filling in while Barry Foster rested his sore back, went 1 yard for a touchdown on the Steelers' first possession. The Bengals responded with Jeff Blake's 56-yard pass to Carl Pickens that set up his 7-yarder to Pickens. The Steelers then clamped down, holding Blake to 93 yards passing the rest of the game.

Buccaneers 26, Redskins 21: In Tampa, Florida, Craig Erickson's quarterback sneak with 32 seconds remaining gave Tampa Bay a victory over Washington and consecutive victories for the first time since September 1992.

Erickson capped an 11-play, 80-yard drive featuring the running of Ernie Rhee, who gained a Bucs' rookie record of 192 yards on 40 carries, and completions of 19 yards to Courtney Hawkins and 13 yards to Lawrence Dawsey.

The Redskins, who used Andre Collins' 92-yard interception return and long scoring passes from Heath Shuler to Desmond Howard and Olanda Truitt to take a 21-17 lead, squandered an opportunity to stop the march when a potential game-saving interception bounced off Darryl Morrison's chest.

Erickson was 18-for-35 for 251 yards and nine touchdowns. Shuler finished 13 of 25 for a season-high 278 yards, two TDs and one interception.

Seattle Tackle Paralyzed

Mike Frier, 25, the defensive tackle for the Seattle Seahawks, is paralyzed as a result of a traffic accident in which he suffered severe spinal injury. He is unable to move his legs and has little movement in his arms. After surgery on Friday to fuse two neck vertebrae, doctors predicted there is a 90 percent chance that Frier will remain a paraplegic.

Florida Derails Alabama's National Title Chase

By Malcolm Moran

New York Times Service

ATLANTA — Alabama's hopes for a perfect season, and a chance to win a second national championship in three years, came crashing down in the din of the Georgia Dome, where the Florida Gators answered two questions.

Once and for all, they demonstrated that they could come from behind, and that they could win a close game.

The Gators beat the Crimson Tide, 24-23, on Saturday to win the Southeastern Conference championship game on Chris Doering's 2-yard touchdown catch from the shaken quarterback Danny Wuerffel, then Eddie Lake's interception of Jay Barker's pass with 51 seconds to play.

Alabama, which had been tied or behind during the second half in 7 of its 11 victories this season, finally ran into a comeback it couldn't pull off.

"I thought we'd pull it out again, like we've done before," said Barker, whose

right shoulder had been injured during the first half.

Florida (10-1-1) won a second consecutive SEC title for the first time in school history. The Gators advanced to the Sugar Bowl, where they will play a rematch against Florida State. Alabama (11-1) will receive a consolation prize a spot in the Florida Citrus Bowl against Ohio State.

Alabama was given the lead with 5 minutes, 29 seconds to play when line-backer Dwayne Rudd returned a deflected pass by Wuerffel 23 yards for a touchdown. Wuerffel could have thrown a short pass over the middle to running back Fred Taylor, but chose to throw to his right, toward Aubrey Hill. Sophomore cornerback Cedric Samuel hit Hill, causing the ball to pop into the air and hop off the top of Samuel's helmet.

Rudd picked it off on the carom and ran up the left sideline for the 23-yard touchdown that gave the Tide its first lead since the first quarter.

But even as the Alabama fans in the record Georgia Dome crowd of 74,751 celebrated, the Tide's coach, Gene Stallings, made a decision that would soon give the Gators a chance to regain the lead. Leading by 5 points after the touchdown, Stallings decided to have kicker Michael Proctor, who had made field goals of 22, 47, and 48 yards, kick the extra point for a 23-17 lead.

The Gators quickly took advantage by producing an 80-yard drive that ended with Doering's reception of Wuerffel's quick pass from the 2-yard line to give Florida the lead.

Jack Jackson, the junior wide receiver who led the Gators with 56 receptions and 15 touchdowns in 11 games, had left the game with a dislocated shoulder after catching a 5-yard pass on Florida's third play of the game.

Kurt Heiss' 52-yard field goal with 6:19 left gave Army a 22-20 victory over Navy in Philadelphia. It was the Cadets' fourth defeat of the Midshipmen in the last five years. Heiss, a senior whose

previous best was a 37-yard field goal, also was good from 21 and 35 yards as Army took a 45-43-7 lead in the series.

Quarterback Ronnie McAda rushed for 126 yards as Army (4-7) won by running up the middle against Navy (3-8). The Cadets ran for 373 yards on 70 carries. Kevin Vaughn carried 20 times for 92 yards, 80 in the second half.

Jim Kubiak, Navy's career passing leader, was 24-of-34 for 361 yards, two touchdowns and three interceptions.

An impressive catch and run by Navy tight end Kevin Hickman gave the Midshipmen a 20-19 lead late in the third quarter before Army marched for the winning field goal.

Hickman took a screen pass, eluded what would have been a tackle for a loss, then loped down the sideline for a 56-yard touchdown that was the longest reception in his career. Navy failed on the 2-point try, got another chance thanks to an Army penalty, then failed again.

(AP)



The Bullets' Chris Webber harassing Patrick Ewing during the Knicks' 111-95 victory.

Hawks Pressure O'Neal To Halt Magic, 107-105

The Associated Press

ATLANTA (AP) — Jon Koncak's tenacious defense on Shaquille O'Neal earned him a chance to beat the Orlando Magic from the free-throw line, as well the respect of the National Basketball Association's leading scorer.

O'Neal committed an offensive foul with 32 seconds left, sending Koncak to the line where he made one shot, breaking a 105-105 tie Saturday. The Hawks won, 107-105, ending Orlando's nine-game winning streak.

"Remember, this Jon Koncak is the greatest defensive player in the world. He never fouled me once," O'Neal said after the game.

O'Neal still led all scorers with 27 points, coming off nights of 38 and 41 points. His season average is 31.7 points per game. Anfernee Hardaway added 26 points for Orlando and Nick Anderson 19.

Atlanta's Stacy Augmon hit a 12-foot jumper to tie the game at 105 with 53 seconds left.

Knicks 111, Bullets 95: In New York, Charles Smith scored 23 points and the Knicks' reserves made key contributions as New York regrouped from a 25-point loss to the Magic the previous night. Patrick Ewing had only 3 points

NBA HIGHLIGHTS

in limited minutes, but reserve Anthony Mason had 22 points.

Pistons 107, Suns 97: In Auburn Hills, Michigan, Grant Hill and Mark Macon led an 11-0 third-quarter run that helped Detroit beat Phoenix. Charles Barkley led the Suns with 20 points and 10 rebounds.

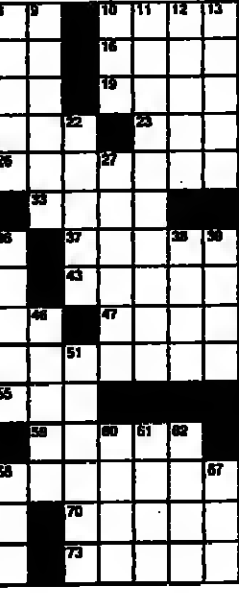
Bulls 125, Celtics 109: In Chicago, Scottie Pippen, coming off his lowest-scoring game in more than a year, had 26 points to lead Chicago over Boston. Pippen, who scored 9 points on 4-of-14 shooting in Friday's loss to Atlanta was 11-of-15 in 30 minutes against the Celtics and held Boston's top scorer, Dominique Wilkins, to 12 points.

CROSSWORD

ACROSS
1 Winter precipitation
8 Pay, with "up"
16 Ivan the Terrible, e.g.

14 Proportion
15 "Smile" (1976 Hall & Oates hit)
18 Regulation

DOWN
1 12th graders: Abbr.
2 Vietnamese's land
3 Sewing case
4 It's west of England
5 Transverse pin
6 "matter of fact"
7 California valley
8 Lock
9 Less difficult
10 "Isle-Isle"
11 Gold digger's "mine"
12 Shalom in Hawaii
13 Like royalty
14 K's within grasp
22 Dispatch boat
23 Long-legged bird
27 Main dish
28 Nest eggs: Abbr.
29 Memo
30 Virginia women's college
31 Spaghetti sauce
32 Snooped
33 Race
34 Queue
35 Steering role
41 Race track
42 Remove the
43 Corned beef sandwich
44 Pines
45 Joplin's "Last Rag"
46 Ship from Kuwait
47 Marie Antoinette, e.g.



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Solution to Puzzle of Dec. 2

FOOL SOSO SPAWN
AXLE WRAP HUBIE
ZEST BAVE ARENA
EYEOPENER VELO
SENNETT ACID
ERIE TONNAGE
LASSIES ENGAGES
ORTHODROM
ONEADAY CDSAGE
SEMIPTRO EPEE
RIND LEANEST
HOROE EYEMONIEV
ADHOC LOSS TOWN
LOWEY ETTU ELEAN
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VICE PRESIDENT EUROPEAN OPERATIONS	Where Magazines Intl	Where Magazines Intl 70, The Esplanade, Toronto, Canada M5E 1R2
BI-LINGUAL OFFICE ASSISTANT	Multinational Company	IHT - Box N° 932 Via Cassolo 6 20122 Milano, Italy

LANGUAGE

Rottweiler Signals From Newt

By William Safire

WASHINGTON — "It is hardly news that Newt Gingrich is not Mr. Nice Guy in politics," wrote my Op-Ed colleague Anthony Lewis. "But his signals that he is going to stick to the Rottweiler game matter a lot."

Here we have what hypersensitive dog lovers could take to be a pejorative reference to the Rottweiler, a large black-and-tan dog named after a town in southwest Germany. Because of their fearsome aspect (though not because of any vicious trait in the breed), these dogs have become the second most popular breed in the United States.

Liberal critics of draconian social policy can hardly afford to lose the support of 104,160 registered Rottweiler owners, so I sent Tony this fax: "What have you got against Rottweilers?" In a return fax from Boston, he dismissed my concern about his impolitic allusion with a brief "arf!" and added: "I thought you'd like the Shakespeare."

As a founder of the Poetic Allusion Watch (its acronym, PAW, is not intended to be a canine slur), I combed through the Lewis column looking for some play on a Shakespearean phrase. Finally, my glance lighted on the headline, where the clue lay like a purloined letter: "Eye of Newt." Of course: the witches of "Macbeth." A concordance guided me swiftly to Act IV, Scene 1, as the second witch stirs the pot and recites the recipe:

Filler of a fennysnake,
In the cauldron boil and bake;
Eye of newt, and toe of frog.

A newt is a small lizard related to the salamander and sometimes confused with a spotted eft. In Washington these days, however, Newt is the shortened form of the first name of Newton Leroy Gingrich, of Georgia.

Newt will presumably be elected speaker of the House of Representatives when the 104th Congress assembles in January, because Republicans will form the majority. However, because that election has not yet been held, journalists have struggled with a title. *Speaker-to-be* is a popular choice, though the jocular *Speaker-in-waiting*, a play on the royal *lady-in-waiting*, is sometimes used. *Speaker-designate* is sometimes heard on television. *Putative* is a more standard usage, meaning "supposed"; other choices are *likely*, *all-but-certain* and the simple but not provable *next*. Some writers have drawn on royal usage for *Speaker-presumptive*; Adam Clymer of The New York Times slipped me *Speaker-presumptuous*.

The noun phrase most often tossed at Newt is *bomb thrower*. "People who dismissed Gingrich as a cartoonish bomb thrower underestimated him," William Sternberg wrote in the June 1993

Atlantic. Though this phrase is still applied to him in most profiles, the role and the title are moving on to the next House majority leader, Richard Armitage of Texas, identified by Newsweek as "second in command to Newt and the designated bomb thrower when Gingrich is forced to play statesman."

The phrase in a quasi-literal sense was applied in politics to anarchists early in the century, shown by cartoonists as bearded men with large bombs in their hands. The figurative sense — "a divisive or disruptive radical" — seems to have taken hold in the '80s, but earlier citations would be welcomed.

The linguistic bomb tossed by Newt Gingrich was the distinction he drew between *cooperate* and *compromise*. "On everything on which we can find agreement, I will cooperate," the man of the hour said after the Republican sweep. "On those things that are at the core of our philosophy... there will be no compromise."

Cooperate, no longer hyphenated, comes from the Latin *operari*, "to work," and the preceding *co-*, "together." Oliver Goldsmith wrote in "The Citizen of the World" in 1762 that "It is difficult to induce a number of free beings to cooperate for their mutual benefit," an observation being made again in the White House.

Compromise is a word with both a positive and a negative connotation. The Latin *com-*, like *co-*, means "together"; the end *promissio* is, of course, a pledge; the Latin *compromittere* means "to promise mutually."

The positive sense is "to come to agreement through mutual concession." But a second, more sinister sense has long been with us: "To speak truth, I compromised matters," confessed a character in Charlotte Brontë's novel "Villette." "I served two masters." That usage led to the definition "to agree by the partial surrender of position or principles." And to be caught in an embarrassing position is to be *compromised*.

The meaning is not so much in the dictionaries as in the mind of the user. To the tender-minded, *compromise* is a necessary accommodation leading to agreement; to the tough-minded, the synonym *for compromise* is *sellout*, leading to betrayal of values. In carefully differentiating, Gingrich was saying he would work together with Democrats to pass conservative legislation, but would not make concessions to pass or preserve liberal legislation.

A politician of any stripe who welcomes controversy and splits hairs over words is sure to be a lexicographer's delight. After the "eye of Newt" is added to the steaming brew, all the witches sing:

Double, double, toil and trouble;
Fire burn, and cauldron bubble.

New York Times Service

Art Malik Goes Looking for Mr. Bad Guy

By Susan Keselenko Coll

LONDON — Despite his best efforts, Art Malik still finds himself mistaken for the good guy. On location in Washington, playing the part of an Arab terrorist who threatens to nuke Miami, Malik was accosted by a fan who had just seen him in a television rerun of the decade-old "The Jewel in the Crown."

"My God! What are you doing?" squealed the fan. Malik explained that he was working on James Cameron's "True Lies," this year's mindless megacrossover thriller. "What, with Arnold [Schwarzenegger]?" asked the fan, confused. And then, with obvious disappointment, "Why are you doing that?"

Since his portrayal of Hari Kumar — the brooding, romantic, wronged young Indian in the epic television adaptation of Paul Scott's "Raj Quartet" — Art Malik has spent 10 years answering to fans who would like to see him preserve his celluloid integrity. In response, the actor has veered toward playing evil characters. From the razor-wielding thug in "City of Joy" to the terrorist in "True Lies," to a stint as an Indian serial killer, Malik says he has engaged in a deliberate attempt to obliterate Kumar, his fictional alter ego.

This is easier said than done. For one thing, reruns of the 14-part Granada television program continue to air intermittently around the world and are often received with a cult-like reverence. And then there are subtle ways in which Art Malik is Hari Kumar: Both were born on the Indian subcontinent, both spent time at English private schools, and both feel torn between two worlds. "For anybody in a migrant society," says the Pakistani-born actor, "there will always be an element of Hari Kumar in them."

Still, Malik seems bemused by his character's enduring appeal. "I don't know if people really love or lust or anything. I think they just wanted to take Hari Kumar home and protect him and say, 'You poor thing, in my home, they'll never get you.' The trouble is they'd be taking Art Malik into their home, which would be a different kettle of fish."

They could probably do worse. At 42, looking deliberately disheveled with a chin of stubble and thinning, spiky dark hair, the actor still oozes charm. At his modest suburban house, toys scattered about the sitting room, Malik says he is a devoted family man who brings his wife and two daughters on location whenever possible. He has lived in London since the age of 3, and can see no real reason to buy into the Hollywood dream even at a time when it finally seems to beckon.

"My manager at the moment is tearing his hair out," says Malik. "He's basically saying, 'Hey, look. You've just been in this huge American success, it's brilliant, you're hot, you're high profile over here. We need to get you out here!'"

But aside from a reluctance to uproot his family, Malik is put off by Hollywood's myopic vision. "If Hollywood suddenly starts changing, and changes



Rumid Marichewi

Malik is in a position to be choosy about roles.

its whole attitude, I'll be the first to change my opinion. I think that what Hollywood has to do is stop thinking that the rest of the planet is being duplicated by the way in which people in Los Angeles and New York live their lives."

At the moment, anyway, Malik is in a position to be choosy. He has just agreed to an initial eight-month run in a new Tom Stoppard play, "India Ink," which will open in London in February. He recently finished work on two other films: Disney's "A Kid in King Arthur's Court," scheduled for release next year, and Vadim Jean's "Clockwork Mike," which he says is scheduled to premiere at Cannes.

Things haven't always been so good. Despite his promising launch in "The Jewel in the Crown," work has not always been steady. He has appeared in several British television programs, a spate of minor films, and "A Passage to India" and "City of Joy." But there have been periods of unemployment and financial despair spent lamenting the weak state of the British film industry.

The bleakest period came just prior to landing the terrorist's role in "True Lies." After completing "City of Joy" in 1992, Malik finally gave in and moved to Hollywood in an attempt to find work. But he says that the actor Patrick Swayze, a friend, convinced him that there were more important things in life than striking it big in L.A. "He was telling me how wonderful my wife is, how wonderful my children were, and I sat there thinking, 'Yeah! What am I doing here? That was a Saturday. I was on the plane on Sunday.'"

Malik, raised as a Muslim, is not without qualms about the politics of "True Lies," which portrays him as the psychopathic leader of a fictitious Arab sect. "I mean, if I wanted to do something that would help the Arab cause, 'True Lies' wouldn't have been the vehicle that I would have chosen," he says. But he defends the film, which Arab groups in America found objectionable, as pure entertainment. "Nobody does 'True Lies' to send out a message to anybody. It's pure escapism."

"Here is a chance to actually be working on the cutting edge of the technology," he continues. "And when a script arrives from somebody like Jim Cameron, you have to take it seriously as an actor."

Malik says he is constantly asked whether he is bored with being typecast. And though at an earlier point in his career he did complain about roles that required the persistent exploration of his Asian roots, he no longer sees it that way.

"Where's the typecasting between playing Aziz in the most expensive movie ever made to playing Hari Kumar? The only similarity that exists is probably the fact that the pigment of my skin is one noticeable factor which makes the believability of those characters not a problem."

As for all the Kumar-smothering bad-guy roles, Malik says he finally may have had enough. He plays yet another such role in the forthcoming Disney film. "There comes a point in your life where you start thinking, 'Well, what am I actually doing [by playing] all of these terribly dark people, these loners, these people that have no real faith?'"

Apart from the forthcoming theater work, which will again transform him into a more peaceable character, Malik entertains the fantasy of some day directing, and perhaps forming his own production company. There's another plan afoot as well:

"Sharing a trailer park with Arnold led me to believe that maybe I should open my own Indian restaurant," he says. Why is that? "Mainly because Arnold said, 'I don't understand you. Here you are, you're big and everything, and you don't DO anything! Why don't you open a restaurant in London?'"

He says he just might.

Susan Keselenko Coll is a free-lance writer living in London.

WEATHER

Europe

Europe	Today	Tomorrow
	High Low	High Low
Aberdeen	17/15	12/10
Amsterdam	17/15	15/11
Antwerp	17/15	11/12
Athens	17/15	16/10
Birmingham	17/15	16/10
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